



# Tri-Cities Airport Authority

## Tri-Cities Regional Airport, TN/VA

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2016



TRI-CITIES REGIONAL AIRPORT  
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# Tri-Cities Airport Authority

Blountville, Tennessee

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**Jointly Governed by**  
Bristol, TN  
Bristol, VA  
Johnson City, TN  
Kingsport, TN  
Sullivan County, TN  
Washington County, TN



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2016

Prepared by:  
Accounting Department

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# Introduction

- Vision and Mission
- Commissioners and Senior Staff
- Letter of Transmittal
- GFOA Certificate of Achievement
- Organization Chart



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# Tri-Cities Airport Authority

## Tri-Cities Regional Airport, TN/VA

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### **Vision**

To be a premier air transportation center  
and a catalyst for economic growth

### **Mission**

To support economic growth by providing the best  
available facilities and service for passengers,  
air cargo, corporate and general aviation



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# **TRI-CITIES AIRPORT AUTHORITY**

## **AUTHORITY COMISSIONERS AND SENIOR STAFF**

**As of June 30, 2016**

### **Authority Board Members**

**Mr. James "Jim" Rector, Chairman**  
**Mr. Dan Mahoney, Vice Chairman**  
**Mr. James "Moe" Brotherton, Secretary-Treasurer**  
**Mr. Ken Maness**  
**Mr. David Tomita**  
**Mr. Todd Hensley**  
**Mr. Bill Sorah**  
**Mayor Richard Venable**  
**Mr. Mitch Meredith**  
**Dr. Jon Smith**  
**Mayor Dr. Ralph Van Brocklin**  
**Mr. J. Parker Smith**

### **Airport Senior Staff**

**Patrick W. Wilson, Executive Director**  
**Rene L. Weber, Director of Finance**  
**David Jones, Director of Operations**  
**Kristi Haulsee, Director of Marketing and Air Service Development**  
**Kathy Yakley, Manager of Human Resources and Administrative Services**  
**Mark Canty, Air Cargo and Trade Development Specialist**



**≈≈≈ Letter of Transmittal ≈≈≈**

December 5, 2016

**To the Members of the Tri-Cities Airport Authority:**

This “Comprehensive Annual Financial Report” (CAFR) of the Tri-Cities Airport Authority for the year ended June 30, 2016 is hereby submitted. This report was prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by Blackburn, Childers & Steagall, PLC.

The Accounting Department of the Tri-Cities Airport Authority has prepared this report and assumes full responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the proprietary fund of the Tri-Cities Airport Authority.

The CAFR was prepared using the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA) to be eligible for application of the Certificate of Achievement Award. The guidelines require management to provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a “Management Discussion and Analysis” (MD&A). This “Letter of Transmittal” should be read in conjunction with the MD&A that is located in the Financial Section.

**REPORTING ENTITY**

Effective September 25, 2012, the Tri-Cities Airport Authority (“Authority”) came into legal existence pursuant to the laws permitting the creation of and defining the powers of regional airport authorities in the State of Tennessee. (See, Tennessee Code Annotated § 42-3-104 through § 42-3-119).

## REPORTING ENTITY (CONTINUED)

The Authority is a public body, corporate and politic, and has a separate legal existence from the former Owners of the Tri-Cities Regional Airport, TN/VA ("Airport"), same being the City of Bristol, Virginia, the City of Bristol, Tennessee, the City of Johnson City, Tennessee, the City of Kingsport, Tennessee, Sullivan County, Tennessee, and Washington County, Tennessee ("Owners"). The Tri-Cities Airport Commission, which operated and managed the Airport for the Owners, has been transitioned to the Authority, which is governed by the Board of Commissioners of the Authority.

All real and personal property, other assets, contracts, agreements, leases, grant assurances, and most other legal obligations of the Owners and the Tri-Cities Airport Commission related in any manner to the Airport were assumed, adopted and ratified, unconditionally, by the Authority. The Authority has also assumed and adopted all rules, regulations, and procedures which are in place to operate the Airport.

The Tri-Cities Airport Authority was created and is governed by a Board of Commissioners appointed by six cities and counties. The Airport Authority is charged with the responsibility of directing the development, operation, maintenance, control and administration of the Tri-Cities Regional Airport, TN/VA.

The Airport Authority is composed of a twelve member Board of Commissioners; each with one vote. Each entity is entitled to appoint a specified number of Board Members as follows:

Governmental Entity	Representation
Washington County, Tennessee	3 Board Members
City of Johnson City, Tennessee	3 Board Members
Sullivan County, Tennessee	2 Board Members
City of Kingsport, Tennessee	2 Board Members
City of Bristol, Tennessee	1 Board Member
City of Bristol, Virginia	1 Board Member

The officers of the Authority consist of a Chairman, Vice-Chairman, a Secretary-Treasurer, and an Assistant Secretary-Treasurer. The Authority currently has five standing committees. These committees are advisory in nature but are authorized to make decisions that are binding on the full Authority with prior approval by the Authority. The current committees are: Executive, Administration/Operations, Marketing, Airfield Development, and the Air Cargo and Trade Development.

## MANAGEMENT

The Airport Authority hires an Executive Director to head up the management of the Airport. The Executive Director oversees a staff of 42 full-time employees, as of June 30, 2016. The staff is responsible for the day-to-day administrative, financial, operational and personnel matters relating to the Tri-Cities Regional Airport TN/VA.

There are eleven departments overseeing the activities at the Tri-Cities Regional Airport. The executive Director, Patrick Wilson, heads the administrative department and oversees the operations, marketing, finance and air cargo and trade development departments.

## **MANAGEMENT (CONTINUED)**

David Jones, Director of Operations, oversees the access control, janitorial, maintenance, public safety and engineering services departments. The operations department also ensures that the Airport complies with FAA standards and regulations. The operations department is responsible for preparing state and federal grant applications and coordinates the efforts of engineering, consultants, and others to complete the design and construction of all capital improvement projects at the Airport.

Rene Weber, Director of Finance, oversees all accounting functions, including the Airport's budgets, audits, payables, receivables, payroll and all financial reporting. All financial obligations and/or indebtedness are handled in the finance department.

Kristi Haulsee, Director of Marketing and Air Service Development, oversees the marketing department, handling advertising, public and airline relations and marketing the Airport to passengers and prospective airlines. She also works to market TRI Aerospace Park, the Airport's new business park. She also oversees the Airport Services staff, supervised by Karen Weaver, who assist passengers in the terminal, handle phone inquiries and conduct tours.

Kathy Yakley, Manager of Human Resources and Administrative Services, is responsible for employee relations and benefits, retirement programs and property administration.

Mark Canty, Air Cargo and Trade Development Specialist, is responsible for promoting air cargo, administration of Foreign Trade Zone No. 204, development and maintenance of programs and initiatives designed to foster international trade, and marketing and promotion of the U.S. Customs station within the Tri-Cities Region. He also works to market TRI Aerospace Park.

## **THE AIRPORT TODAY**

Tri-Cities Regional Airport is centrally located between the Tennessee cities of Bristol, Kingsport, Johnson City, and Bristol, Virginia and serves Northeast Tennessee, Southwest Virginia and parts of North Carolina and Kentucky. The Tri-Cities region is strategically located within a day's drive of more than 70 percent of the nation's population.

The region offers a wide range of market benefits including a 60-mile trade population of approximately 1 million, a large manufacturing sector, exceptional interstate highway network and 27 regional industrial parks.

The Airport's property covers approximately 1,250 acres of land, 89 acres in easements, and an 113,532 square-foot passenger terminal building with seven gates, ample short-term and long-term parking, passenger services, national rental car brands, restaurant/bar/gift shop, business center and free wireless internet.

A 13,000 square-foot Air Cargo Logistics Center houses US Customs and Border Protection Port #2027 and Foreign-Trade-Zone #204. The site includes a 5 acre cargo apron with a 75-foot-wide taxiway system and speculative building space. TRI Aerospace park, a 160 acre development area with direct airfield access and direct municipal water, sewer, gas and electric utilities lies adjacent to the Logistics Center.

## **THE AIRPORT TODAY (CONTINUED)**

TRI Aerospace Park is key to the continued development of the south side of the airfield. TRI Aerospace Park was recently certified by the State of Tennessee as part of the Select Tennessee program through the Tennessee Department of Economic and Community Development. This certification provides assurance to potential aviation-related businesses and developers that the site has no significant environmental issues, has all utilities in place, and is ready for building. TRI Aerospace Park is presently the only Select Tennessee Certified Site with direct runway access.

Port #2027, a federally staffed, full-service customs station, allows for passengers and imported goods to clear Customs in the Tri-Cities and avoid congestion and delays common at larger Ports of Entry.

A fixed based operator (FBO) is housed on Airport property to accommodate private and corporate aircraft operations. The FBO serves as the point-of-entry for customers who are not using commercial airline service and provides aircraft storage, fuel and maintenance services.

The Tri-Cities Airport Authority maintains two websites to provide travelers and the general public current and updated information on the Tri-Cities Regional Airport's operations and to promote the TRI Aerospace Park development. The websites are:

Triflight.com  
Triaerospacepark.com

## **ECONOMIC CONDITIONS AND OUTLOOK**

### ***Airport***

As the physical link between passengers and the air transportation network, the Airport Authority strives to provide air service to meet passenger demand. Historically, Tri-Cities' passenger base has been business oriented, and that trend is expected to continue. However, with the addition of low fare service on large jet equipment to Florida destinations, the percentage of leisure traffic has grown.

TRI offers three scheduled airlines serving passengers through four connecting hubs and leisure destinations. Delta Air Lines provides service to Atlanta, US Airways Express serves Charlotte, and Allegiant offers service to Orlando and St. Petersburg/Clearwater.

Passengers traveling on business account for approximately 55-60 percent of TRI's customer base. While that percentage has varied through the years depending on fare levels, TRI's air service and fare structure continue to be geared toward business travel, providing the stability to weather economic downturns. However, with a business market and only two network carriers, TRI is subject to higher fares and potentially vulnerable to airline bankruptcies and mergers.

During the 2016 fiscal year, passenger aircraft load factors decreased slightly 1.8 percent over the previous year. The number of available aircraft seats decreased 1.3 percent and passenger traffic decreased 3.2 percent below FY 2015. Comparatively, FY 2015 reflected increases of 8.4, 7.7 and 0.6 percent in passenger traffic, load factors and available seats over the previous year.

## **ECONOMIC CONDITIONS AND OUTLOOK (CONTINUED)**

### ***Airport (Continued)***

The aviation industry is particularly challenging for small airports due to mergers, high fuel costs, and the move away from expensive regional jet aircraft toward larger jets with fewer frequencies. While the larger jets are comfortable and popular with passengers, the reduced number of flights can impact customer convenience. The number of available seats at TRI remains relatively flat, but passengers have fewer flights from which to choose. The larger aircraft can accommodate large groups traveling together, which is a benefit to TRI and provides first class cabin service.

Over the past five years, the airline industry has been subject to several airline bankruptcies and mergers, resulting in the reduction of large network carriers, connecting hubs and competition to put downward pressure on fares. With recent approval of the US Airways/American Airlines merger, only three network carriers will remain: Delta Airlines (merged with Northwest Airlines), United Airlines (merged with Continental) and American Airlines (merged with US Airways). TRI currently has Allegiant, Delta and American service. The Airport will continue to work toward increasing air service options for TRI travelers.

### ***National and Local Economy***

The Tri-Cities Airport Authority uses quarterly data produced by the East Tennessee State University Bureau of Business and Economic Research to monitor national and regional economic conditions. The following information was obtained from reports released by this organization.

Retail performance continued positive in the three cities during the second quarter of 2016. The Cities of Bristol, Kingsport and Johnson City reflected increases compared to 2015 data of 10.4, 2.2 and 0.8 percent, respectively. Over the April to June quarter, retail sales increased 1.0 percent overall in the metro area compared to a 3.5 percent increase in Tennessee and a 1.5 percent increase in the United States for the same period. The metro area, as of the second quarter of 2016, recorded eight consecutive quarters of real sales growth.

Employment levels in the metro area grew in the second quarter of 2015 by 2.7 percent, reversing three years of decline. Over the April to June period, the jobless rate for the Tri-Cities consolidated Statistical Area (CSA) was 5.9 percent, compared to 6.6 percent a year earlier.

Generally, national and local economic improvements support passenger increases in air travel. Thus, the enhanced performance of the local economy has provided the support for increased passenger numbers at TRI in fiscal year 2015.

## **CAPITAL PLANNING**

Through the Airport's master planning process, the Authority lays out a Capital Improvement Program on a rolling five-year basis. Most of these projects are funded from federal and state grant funds generated from federal and state aviation user fees. A Capital Improvement Program is prepared annually for a five-year period outlining project descriptions and funding sources. Priorities are set in conjunction with the Airport's Master Plan. The priorities for FY 2016 were as follows:

- 1) Safety and security for all users of the Airport;
- 2) Projects deemed to meet air carrier passenger needs and demands;
- 3) Projects deemed to meet demands of general aviation, corporate, and cargo users;
- 4) Implement projects that will generate new revenue sources; and,
- 5) Implement projects that will maximize all sources of funding availability.

## **FINANCIAL INFORMATION**

### ***Internal Controls***

Management of the Tri-Cities Airport Authority is responsible for establishing and maintaining an internal control structure designed to ensure that: (i.) the assets of Tri-Cities Airport Authority are protected from loss, theft or misuse; (ii.) to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles; and, (iii.) that federal financial assistance programs are managed in compliance with applicable laws and regulations.

The Airport Authority applied the concept of reasonable assurance in establishing internal controls. These assurances recognize that: (i.) the cost of a control should not exceed the benefits likely to be derived; and (ii.) the valuation of costs and benefits requires estimates and judgments by management.

As part of the Tri-Cities Airport Authority's single audit, tests were made of the Airport Authority's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although an opinion on the Airport Authority's internal control system or its compliance with laws and regulations was not given, the audit for the year-ended June 30, 2016 disclosed no material internal control weaknesses or material violations of laws and regulations.

### ***Operating Budget***

An annual operating budget is prepared and approved by the Tri-Cities Airport Authority. All appropriations for operating expenditures lapse at the end of the fiscal year and must be reappropriated for the following year. A Capital Projects Budget is approved annually with the appropriated funds remaining intact until completion of the project.

The Tri-Cities Airport Authority continues to meet its responsibility for sound financial management. The Airport Authority is self-supporting through user fees of the Airport and has not received local tax dollars since 1967.

## **CASH MANAGEMENT POLICIES**

The Investment Policy of the Airport Authority sets the criteria for surplus funds. The Airport Authority consolidates cash balances from all funds to maximize investment earnings. The primary objectives of investment activities are safety, liquidity, and yield.

The Tri-Cities Airport Authority is authorized to make direct investments in bonds, notes or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies. These investments may not have maturity greater than two years, except as set out in Tennessee state law. Investments may also be made in the Tennessee State Pooled Investment Fund and in repurchase agreements with state approval.

## **RISK MANAGEMENT**

The Tri-Cities Airport Authority is fully insured and carries insurance coverage with commercial insurance carriers in amounts sufficient to meet the Airport Authority's reasonable exposure. All tenants and lessees are required to carry specified amounts of insurance coverage, naming the Airport Authority as an additional insured. All contractors engaged in construction projects are required to meet minimum requirements as specified in the bid documents.

## **OTHER INFORMATION**

### ***Independent Audit***

As required by state statutes, the Tri-Cities Airport Authority requires an annual independent audit by a Certified Public Accountant. The selection is administered by the Administration/Operations Committee with final approval by the full Authority. The firm of Blackburn, Childers & Steagall, PLC was selected to perform the independent audit for the year ending June 30, 2016. The audit is also used to meet the requirements and all revisions of the federal Single Audit Act of 1984, and the related Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Generally accepted auditing standards were used by the auditors in conducting their audit.

The auditor's report on the financial statements is included in the Financial Section of this report. The independent auditor's report on internal controls and compliance with applicable laws and regulations are located in the Internal Control and Compliance Section.

### ***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities Airport Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the 16<sup>th</sup> consecutive year that the airport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **OTHER INFORMATION (CONTINUED)**

### ***Acknowledgements***

We would like to take this opportunity to thank the Airport Authority for their leadership and support in planning and conducting the financial operations of the Airport. We would also like to recognize the efforts of the senior staff, David Jones, Kristi Haulsee, Kathy Yakley, and Mark Canty for their contributions to this financial report. A special thanks is given to the accounting department staff, Janice Lynch and Tim Cartwright for their hard work and dedication.

Respectfully submitted,



Patrick W. Wilson  
Executive Director



Rene L. Weber  
Director of Finance

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Tri-Cities Airport Authority  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

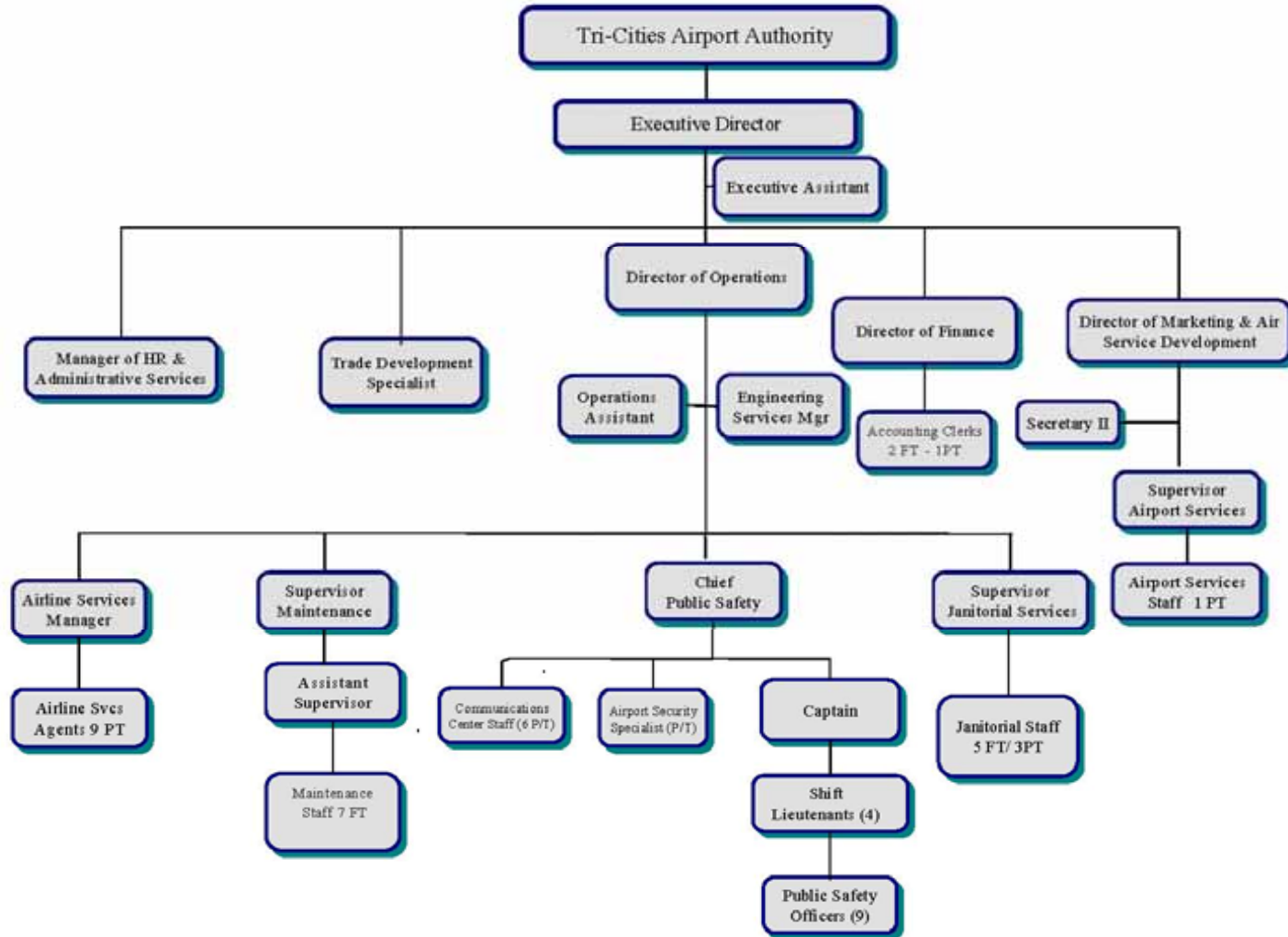
**June 30, 2015**

Executive Director/CEO

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## TRI-CITIES AIRPORT AUTHORITY ORGANIZATION CHART



July 2013

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## Financial

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplemental Schedules
- Supplemental Schedules



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Tri-Cities Airport Authority  
Blountville, Tennessee

Basic Financial Statements

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Supplemental Information

For the Fiscal Year Ended June 30, 2016



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Commissioners  
of the Tri-Cities Airport Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Tri-Cities Airport Authority, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Tri-Cities Airport Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Honorable Commissioners  
of the Tri-Cities Airport Authority  
Independent Auditors' Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Tri-Cities Airport Authority as of June 30, 2016, and the changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Changes in Tri-Cities Airport Authority's Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plans of TCRS, and the Schedules of Tri-Cities Airport Authority's Contributions Based on Participation in the Public Employee Pension Plans of TCRS on pages 26 - 35 and pages 73 - 76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tri-Cities Airport Authority's basic financial statements. The introductory section, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as included in the supplemental schedules, is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The Schedule of Passenger Facility Charges, Investment Income and Related Expenditures, as included in the supplemental schedules, is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements.


To the Honorable Commissioners  
of the Tri-Cities Airport Authority  
Independent Auditors' Report

The Schedule of Expenditures of Federal Awards, the Schedule of Passenger Facility Charges, Investment Income and Related Expenditures, and the other supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the Schedule of Passenger Facility Charges, Investment Income and Related Expenditures, and the other supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the Tri-Cities Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tri-Cities Airport Authority's internal control over financial reporting and compliance.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 5, 2016

## **MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**

The following Management’s Discussion and Analysis (MD&A) of the Tri-Cities Regional Airport, TN/VA’s activities and financial performance provides an overview of the Tri-Cities Airport Authority’s basic financial statements for the fiscal year ended June 30, 2016. The Tri-Cities Airport Authority is the governing entity operating the Tri-Cities Regional Airport, TN/VA as of June 30, 2016. This MD&A should be read in conjunction with the “Letter of Transmittal” included in the Introduction Section and the Authority’s financial statements following this section.

### **Overview of the Financial Statements**

The Financial Section of this annual report consists of four parts: (i.) Introductory; (ii.) Financial; (iii.) Statistical Schedules; and (iv.) Internal Control and Compliance.

The Tri-Cities Airport Authority is a special-purpose government with only business-type activities. The Basic Financial Statements include proprietary fund financial statements, which offer short-term and long-term financial information about the activities of the Tri-Cities Airport Authority.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by required supplementary information and other schedules that further explain and support the information in the basic financial statements.

Required financial statements include the: (i.) Statement of Net Position; (ii.) Statement of Revenues, Expenses and Changes in Net Position; and, (iii.) Statement of Cash Flows. The financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. All assets and liabilities, both financial and capital, and short-term and long-term are recorded. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of timing of related cash flows. The accompanying notes to the financial statements enhance the reader’s understanding of the Airport Authority’s accounting policies.

### **Airport Activity Highlights**

Airport Passenger Activity during FY 2016 decreased by 3.2 percent compared to FY 2015 due to economic conditions making vehicular travel less expensive and flight schedule changes by two of the three airlines operating at Tri-Cities Regional Airport. Total aircraft operations decreased by 2.8 percent. Aircraft landed weights and airline seating capacity also decreased by 1.9 percent and 1.3 percent, respectively. Air Cargo activity decreased 61.0 percent due to less activity by air cargo vendors and passenger carriers.

The following table shows the increases and decreases from the previous fiscal year.

<b><u>Activity</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2015</u></b>	<b><u>% of Change</u></b>
Passengers	424,170	438,230	-3.2%
Aircraft Operations	46,274	47,617	-2.8%
Aircraft Landed Weights (lbs.)	250,329	255,172	-1.9%
Seating Capacity	531,576	538,804	-1.3%
Mail	846	14	5942.9%
Air Freight	39,270	100,780	-61.0%

***The following airlines are serving Tri-Cities Regional Airport, TN/VA:***

**Delta Connection** offers the majority of flights and seats at TRI. Delta provides an average of seven flights per day to Atlanta aboard 50 seat Canadair regional jets as well as B-717's and MD-88's with up to 166 seat capacity.

**US Airways Express** has an average of five flights per day to Charlotte aboard 50-passenger Embraer and Canadair regional jets and the de Havilland Dash 8 turboprop seating 50 passengers.

**Allegiant Air** provides low fare service to Orlando and St. Petersburg/Clearwater aboard 150 plus seat MD-86 and A-320 jets.

**Financial Position**

The overall financial position of the Airport Authority improved with a 3.7% increase in total net position. This increase was primarily due to the capital contributions on several large construction projects which were ongoing in the fiscal year ending June 30, 2016.

Operating income before depreciation and amortization decreased 43.5% over fiscal year 2015 due to a 0.1% increase in operating revenues and 5.6% increase in operating expenses. The operating revenue categories reflecting the largest increases in fiscal year 2016 compared to 2015 were Airline revenues, Parking revenues and Rental Car revenues.

Capital contributions received from federal and state grants were \$2.953 million more than in last fiscal year.

## Summary of Changes in Net Position

	Fiscal Year Ended June 30,	
	2016	2015
Operating Revenues	\$ 6,593,732	6,583,279
Operating Expenses	6,177,281	5,845,653
Operating Income Before Depreciation	416,451	737,626
Less: Depreciation	4,827,993	4,033,759
Operating Loss	(4,411,542)	(3,296,133)
Non-Operating Revenues (Expenses)	1,225,176	1,240,893
Loss before Capital Contributions	(3,186,366)	(2,055,240)
Capital Contributions	6,495,422	3,541,492
<b>Change in Net Position</b>	<b>\$ 3,309,056</b>	<b>1,486,252</b>

## Operating and Non-Operating Revenue Highlights

Operating revenues are generated from the tenants and/or “users” of the Airport through airfield charges, terminal rents, concession revenue, parking fees, and other sources.

Non-operating revenue is made up of unrestricted and restricted funds. Unrestricted revenue comes from interest income, investment gains, and other sources not resulting from operations. The restricted revenue is generated for a defined purpose and cannot be used to fund operating expenses. The current restricted revenues are Passenger Facility Charges and Customer Facility Charges.

The Airport Authority develops an operating budget and capital improvement budget each fiscal year. Operating revenues are generated to first fund operating expenses. Any net operating revenues are then transferred to the reserve accounts to fund the Airport’s portion of capital projects. Any net revenues after capital projects are placed in the operating reserves.

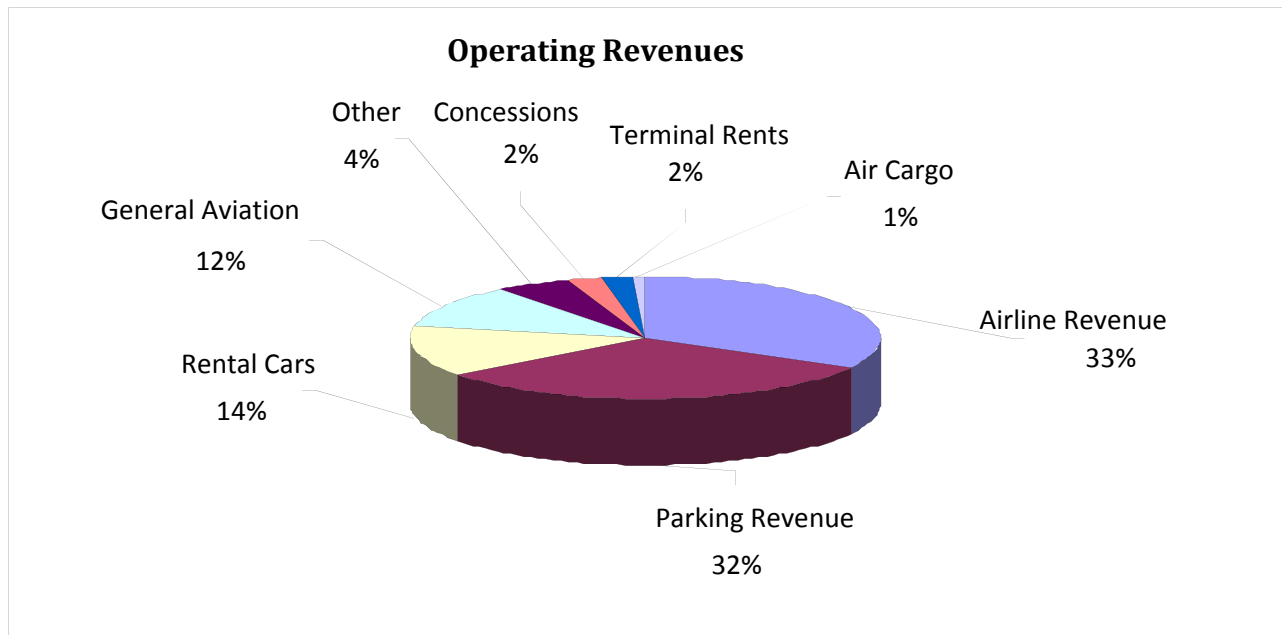
## Operating and Non-Operating Revenue Highlights (Continued)

The following schedule presents a summary of revenues for the fiscal years ended June 30, 2016 and 2015:





	Fiscal Year Ended June 30,	
	2016	2015
<b>Operating Revenues</b>		
Airline Revenue	\$ 2,170,760	2,125,806
General Aviation	791,583	789,552
Air Cargo	96,478	129,127
Parking	2,073,285	2,098,296
Rental Cars	953,139	928,893
Concessions	111,062	108,373
Terminal Rents	120,991	115,334
Other	276,434	287,898
<b>Total Operating Revenues</b>	<b>6,593,732</b>	<b>6,583,279</b>
<b>Non-Operating Revenues</b>		
Interest Income	13,068	18,237
Proceeds on Sale of Assets	8,329	10,971
Passenger Facility Charges	846,289	908,049
Customer Facility Charges	416,225	374,882
<b>Total Non-Operating Revenues</b>	<b>1,283,911</b>	<b>1,312,139</b>
<b>TOTAL REVENUES</b>	<b>\$ 7,877,643</b>	<b>7,895,418</b>
<b>Capital Contributions</b>		
Federal Grant Revenue	\$ 3,378,077	1,415,152
State Grant Revenue	3,117,345	2,126,340
<b>Total Capital Contributions</b>	<b>\$ 6,495,422</b>	<b>3,541,492</b>

## Operating and Non-Operating Revenue Highlights (Continued)

The following chart shows the sources of operating revenue and percentage of operating revenues for the fiscal year ended June 30, 2016.



Operating Revenues increased by \$10,453 or 0.2% from \$6,583,279 in fiscal year 2015 to \$6,593,732 in fiscal year 2016.

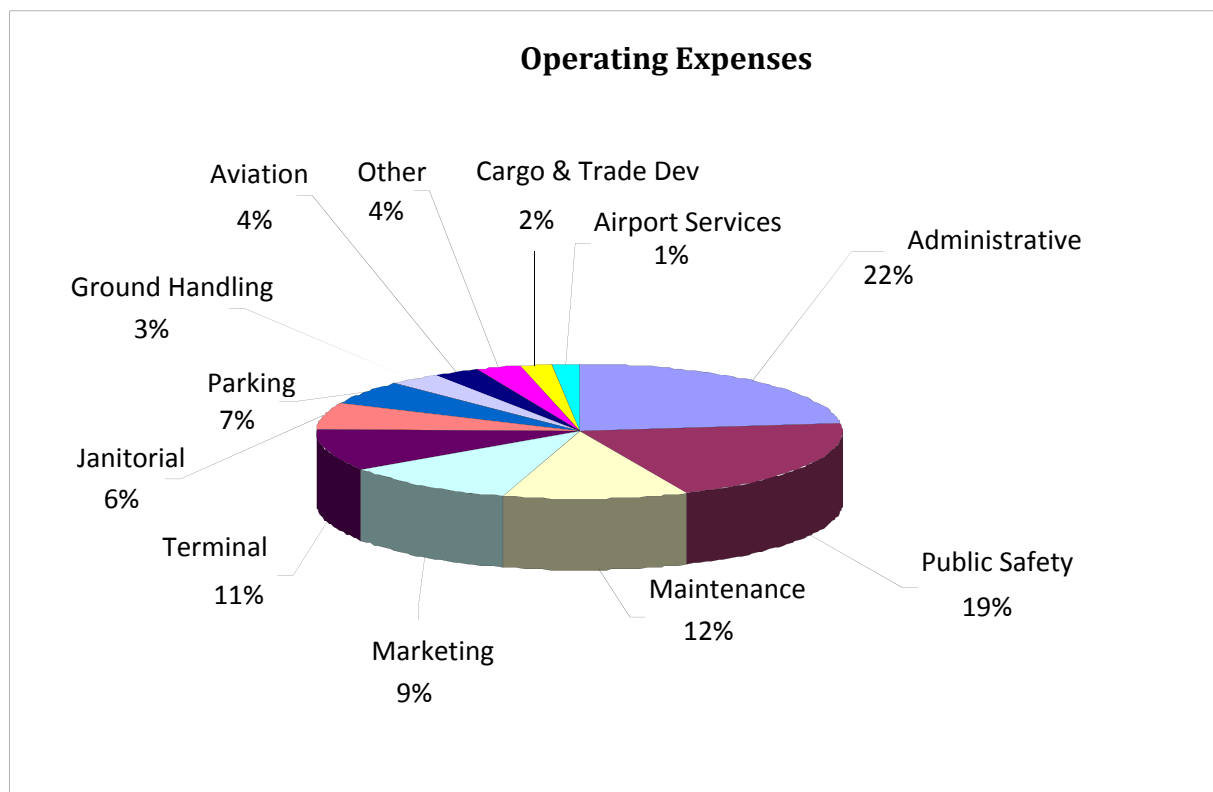
-  Airline revenue increased by 2.1% or \$44,954 more than fiscal year 2015.
-  Air Cargo revenue decreased by 25.3% or \$32,649 less than fiscal year 2015.
-  Parking revenues decreased by 1.2% or \$25,011 less than fiscal year 2015.
-  Rental Car revenue increased by 2.6% or \$24,246 more than fiscal year 2015.

## Operating Expenses

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2016 and 2015:





Operating Expenses	2016 Amount	2015 Amount	Change from 2015	Percent Change from 2015
Administrative	\$ 1,376,531	1,207,736	168,795	14.0%
Public Safety	1,176,088	1,179,619	(3,531)	-0.3%
Maintenance	721,190	665,172	56,018	8.4%
Terminal	679,005	711,606	(32,601)	-4.6%
Marketing	529,902	553,694	(23,792)	-4.3%
Janitorial	397,841	385,419	12,422	3.2%
Parking	416,953	336,656	80,297	23.9%
Ground Handling	156,373	141,670	14,703	10.4%
Cargo and Trade Dev.	144,430	162,130	(17,700)	-10.9%
Other	226,632	196,047	30,585	15.6%
Aviation	279,083	241,207	37,876	15.7%
Airport Services	73,253	64,697	8,556	13.2%
<b>Total Operating Expenses</b>	<b>\$ 6,177,281</b>	<b>5,845,653</b>	<b>331,628</b>	<b>5.7%</b>

The following pie chart shows the Airport Authority's expenses by category and the percentage of operating expenses for the fiscal year ended June 30, 2016.



## Operating Expenses Highlights

Operating Expenses increased 5.7% or \$331,628 as compared to the previous year. Variation analysis of the Operating Expenses revealed:

-  Administrative expenses increased by \$168,795 or 14.0% compared to fiscal year 2015 as a result of increased personnel and benefit costs, general insurance costs and consulting fees.
-  Parking area expenses increased by \$80,297 or 23.9% compared to fiscal year 2015 primarily due to the operation of a temporary shuttle service to accommodate the general public as the Terminal Access Road construction project required closure of the short term parking lot during fiscal year 2016.
-  Maintenance expenses increased by \$56,018 or 8.4% compared to fiscal year 2015 due to increased personnel and benefit costs as well as increased maintenance costs for the fuel farm.
-  Aviation Area expenses increased by \$37,876 or 15.7% compared to fiscal year 2015 as a result of increased repair costs for airfield lighting as well as increased costs for snow removal as the fiscal year 2016 incurred more snow events than fiscal year 2015.

## Financial Position Summary

The Statement of Net Position presents the financial position of the Airport at the end of the fiscal year. The statement includes all assets, deferred outflows, liabilities and deferred inflows of the Airport. Net position is the difference between the total assets and deferred outflows of resources, and the total liabilities and deferred inflows of resources.

A condensed summary of the Airport Authority's total net position for the fiscal years ended June 30:

	<b>Fiscal Year Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
Current Assets	\$ 6,360,569	5,072,173
Capital Assets (net)	88,693,836	85,966,836
Restricted Noncurrent Assets	3,144,533	3,134,379
<b>Total Assets</b>	<b>98,198,938</b>	<b>94,173,388</b>
<b>Deferred Outflows of Resources</b>	<b>324,738</b>	<b>306,014</b>
Current Liabilities	3,599,974	2,400,754
Noncurrent Liabilities	2,983,107	3,015,143
<b>Total Liabilities</b>	<b>6,583,081</b>	<b>5,415,897</b>
<b>Deferred Inflows of Resources</b>	<b>195,179</b>	<b>627,145</b>
Net Investment in Capital Assets	84,574,383	82,726,596
Restricted	1,808,123	1,445,301
Unrestricted	5,362,910	4,264,463
<b>Total Net Position</b>	<b>\$ 91,745,416</b>	<b>88,436,360</b>

## ***Airline Rates and Charges***

The Airport Authority establishes airline rates and charges based on an annual review of projected airline activity and associated operating expenses. The Authority's rate setting philosophy incorporates a terminal rental rate calculated in a compensatory manner, in which the tenants pay only for their share of the facility occupied and used. The landing fee is based on an airfield residual cost center approach wherein the passenger and cargo carriers pay the net costs of the airfield, after receiving credit for airfield-related general aviation revenues.

The Authority evaluates Rates and Charges on an annual basis. In June 2015, the Authority established the following rates and charges to be in effect for the fiscal year beginning July 1, 2015 and ending June 30, 2016.

### **Signatory Airline Rates and Charges (FY 2016)**

Terminal Square Foot Rate per year	\$34.85
Landing Fee (per 1,000 lbs MGLW)	\$ 2.32
Apron Fee, per Turn	\$11.07
Passenger Loading Bridge Per Use	\$15.00
Public Safety Reimbursement	50% of Public Safety Budget

## **Capital Acquisitions and Construction Activities**

During fiscal year 2016, several capital improvement projects were started and completed. Listed below are some of the major projects.

### ***Completed Projects***

In FY 2016, the Tri-Cities Regional Airport Authority achieved substantial completion of three large projects: the Passenger Bag Claim System Rehabilitation project, the Terminal Access Roadway Improvements – Phase 1 project and the Passenger Parking Lot Entrance Improvements project. Due to the scope of the projects, which were begun in fiscal year 2015, work continued on them in fiscal year 2016.

The Passenger Bag Claim System Rehabilitation consisted of removing and replacing the airport's over 25 year old system with a new bag claim system. The new system included demolition of the old system, raising the exterior canopy for improved access, new lighting, safety bollards, access control security system upgrades and interior finish improvements.

The Terminal Access Roadway Improvement – Phase 1 included demolishing the existing roadway system, asphalt surfaces, concrete curbs and existing storm sewer infrastructure. The project included the reconfiguration of the roadway alignment, new storm sewer infrastructure, asphalt paving and pavement markings.

The Passenger Parking Lot Entrance Improvements included the demolition of the existing parking lot and barrier wall, entrance curbs, signage and revenue control equipment. The project installed new revenue control equipment, reconfigured the vehicle entrance from the terminal access road, replaced lighting with energy efficient LED lighting and installed credit card equipment at the existing plaza and opening of the long term overflow lot, now called the "Express Lot".

The Terminal Access Roadway Improvements and the Passenger Parking Lot Entrance Improvements improve and facilitate access to the terminal and provide a safer environment for pedestrian access to the terminal due to increased visibility and enhanced lighting and signage.

The airport also completed the Terminal Building Improvements Phase 4 project, which includes installing HVAC, painting the terminal building exterior and the concourse interior, upgrading both the rental car and airline ticket counter areas, installing a new lobby restroom and upgrading the remaining terminal and concourse area restrooms. The terminal building improvements project provides passengers with safer and more efficient terminal facilities.

### ***Current Projects***

Projects began in fiscal year 2016 or earlier on which work continues include:

Terminal Access Roadway Improvements - Phase 2 project which includes roadway signage, sidewalk demolition and replacement, concrete curb and gutter installation, and the addition of terminal barrier bollards.

The Public Parking Lot Improvements – Phase 2 project which includes relocation of FAA cables, storm sewer installation, passenger cell phone waiting lot and landscaping.

The installation of the Gate 6 Passenger Boarding Bridge project will facilitate loading/unloading passengers and accommodate the airport's design fleet of aircraft in the Master Plan.

The General Aviation Ramp Expansion and Rehabilitation – Phase 2 project, while substantially complete, is currently in the punch list and close out phase. The project consisted of grading an area adjoining the existing apron to expand the capacity of the apron and also included a public parking extension and the re-alignment of the underground utilities impacted by the grading. The project also included the asphalt paving of the airport's tug drive and the removal of the existing asphalt and the replacement with concrete of the fuel trucks and large GA aircraft parking locations.

The General Aviation Expansion and Rehabilitation – Phase 3 project was designed and bid to continue with the general aviation expansion. The project construction is currently underway, with continued grading, utility relocations, removal of asphalt paving and replacement with concrete for the helicopter parking area and an asphalt taxi lane for future aircraft hangars.

### **Debt Administration**

The Tri-Cities Airport Authority has operated as a joint venture between four cities and two counties and has not had the authority to borrow funds. In July of 1995, one of the owners of the Airport, Sullivan County, Tennessee, issued \$7 million in airport revenue and tax bonds, series 1995. These funds were to be used to fund several capital projects. These bonds are to be paid first from passenger facility charges (currently, \$4.50 fee per enplaned passenger), second from all other revenues and reserves of the Airport, and third from the Owners of the Airport. The funds were used for terminal improvements, the safety area expansion, and site preparation for the Southside development.

In August 2003, Sullivan County, Tennessee, on behalf of the Authority, entered into a \$5 million Airport Revenue and Tax Bonds (Taxable) Series 2003. The average coupon rate was 5.54% with annual debt service of approximately \$432 thousand dollars. The bonds original maturity was twenty years. The outstanding debt as of June 30, 2013 was \$4,350,000.

On January 28, 2014 Sullivan County, Tennessee issued \$2,975,000 Airport Revenue and Tax Refunding (Taxable) Bonds, Series 2014 for the purpose of providing funds to refinance, in advance of maturity, the Authority's outstanding Airport Revenue and Tax Bonds, Series 2003. The Series 2014 Bonds are payable primarily from and secured by a pledge and assignment of CFC and operating revenues from the Authority and will mature in 7 years. The outstanding debt as of June 30, 2016 was \$2,375,000.

In the notes to the financial statements, Note 9 – Long-Term Debt, describes the bonds in more detail and reflects a summary of the repayment structure.

### **Passenger Facility Charge (PFC)**

The Tri-Cities Airport Authority received approval from the FAA to implement a Passenger Facility Charge (PFC) for \$3.00 per enplaned passenger beginning February 1997 for a total of \$8.5 million. The PFC is used to improve airport facilities. In August 1999, the PFC was amended to reduce the first portion to \$5.6 million in collections and to add two additional projects requiring collections of \$5.8 million. In August 2007 the PFC was increased to \$4.50, with two additional projects totaling \$668,500; in May 2012 six additional projects were added totaling \$489,869; in March 2013 an additional six projects were added totaling \$892,216; in December 2014 eight additional projects were added totaling \$1,866,027; and in February 2016 the PFC project was amended to add increased project costs of \$250,420. As of June 30, 2016, a total combined Authority of PFC collections is \$14.508 million.

### **Customer Facility Charges (CFC)**

A Customer Facility Charge (CFC) is a fee charged on each rental car contract that must be used to pay rental car bond debt service and to maintain rental car facilities. A \$6 per contract fee was enacted on November 1, 2002. Due to a decrease in rental contract activity, this rate was increased to \$7 per contract in January 2005 and then to \$9 in August 2010. As of June 30, 2016, the airport's rental car concessionaires had collected \$4.589 million in Customer Facility Charges.

### **Economic Factors**

According to the latest report by the ETSU Bureau of Business & Economic Research, employment in the metro area increased by 2.3% in the first quarter of 2016. Compared to the same period in 2015, regional job levels were higher by 2.3%, while unemployment fell 21.0%. Over the January to March period, the jobless rate for the Tri-Cities Consolidated statistical Area (CSA) was 4.9% compared to 6.3% a year earlier.

### **Acknowledgments**

This financial report is designed to provide a general overview of the Tri-Cities Airport Authority's finances for all interested parties. Questions concerning this report or requests for additional information should be directed to Director of Finance, Tri-Cities Airport Authority, 2525 Highway 75, Suite 301, Blountville, TN 37617, telephone (423) 325-6007.

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## Basic Financial Statements



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**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash on Hand	\$ 2,190
Cash in Bank - Checking	1,719,151
Restricted Assets	
Cash in Bank - Passenger Facility Charges	877,242
Cash in Bank - Customer Facility Charges	287,990
PFC Receivable	117,645
Cash in Bank - Escrow	191,035
Accounts Receivable - Operations (Net of Allowance, \$61,630)	565,927
Grants Receivable	2,498,429
Prepaid Expenses	100,960
	<hr/>
Total Current Assets	6,360,569

**NONCURRENT ASSETS**

Capital Assets	
Land	15,294,926
Construction in Progress	8,189,753
Runways and Roads	94,271,528
Parking Lot	4,936,487
Terminal Building	19,338,630
Other Buildings	14,153,922
Equipment and Vehicles	10,562,675
Master Plans	1,320,045
Less: Accumulated Depreciation	(79,374,130)
Net Capital Assets	88,693,836
	<hr/>
Restricted Assets	
Cash on Deposit with other Governmental Entities - Debt Service Reserve	384,330
Certificates of Deposit - Passenger Facility Charges	474,109
Certificates of Deposit - Customer Facility Charges	51,137
Certificates of Deposit	2,205,314
Utility Deposits	2,068
Equipment Deposits	27,575
	<hr/>
Total Noncurrent Assets	91,838,369

<b>TOTAL ASSETS</b>	<hr/> <b>98,198,938</b>
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**DEFERRED OUTFLOWS OF RESOURCES**

Pension Contributions After Measurement Date - Plans 1 and 2	298,894
Pension Changes in Experience - Plans 1 and 2	25,844
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<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<hr/> <b>324,738</b>
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**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable - Operations	617,402
Accounts Payable - Construction	2,015,690
Retainage Payable	282,059
Accrued Expenses	38,127
Accrued Interest	9,923
Accrued Wages	92,310
Accrued Compensated Absences	234,463
Bonds Payable	<u>310,000</u>
Total Current Liabilities	<u>3,599,974</u>

**NONCURRENT LIABILITIES**

Bonds Payable	2,087,068
Deposits from Lessees	6,600
Accrued Compensated Absences	8,108
Net Pension Liability - Plan 1	871,007
Net Pension Liability - Plan 2	<u>10,324</u>
Total Noncurrent Liabilities	<u>2,983,107</u>

<b>TOTAL LIABILITIES</b>	<u><b>6,583,081</b></u>
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**DEFERRED INFLOWS OF RESOURCES**

Pension Changes in Experience - Plan 1	102,076
Net Pension Changes in Investment Earnings - Plans 1 and 2	<u>93,103</u>

<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>195,179</b></u>
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**NET POSITION**

Net Investment in Capital Assets	84,574,383
Restricted - Passenger Facility Charges	1,468,996
Restricted - Customer Facility Charges	339,127
Unrestricted	<u>5,362,910</u>

<b>TOTAL NET POSITION</b>	<u><u><b>\$ 91,745,416</b></u></u>
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The accompanying notes are an integral part of these basic financial statements.

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2016**

<b>OPERATING REVENUES</b>	
Airline Revenue	
Landing Fees	\$ 572,808
Rents	1,597,952
Total Airline Revenue	<u>2,170,760</u>
Non-Airline Revenues	
General Aviation	791,583
Air Cargo	96,478
Parking Revenue	2,073,285
Rental Car Revenue	953,139
Terminal Concessions	111,062
Terminal Space Rents	120,991
Other Revenues	276,434
Total Non-Airline Revenues	<u>4,422,972</u>
Total Operating Revenues	<u>6,593,732</u>
<b>OPERATING EXPENSES</b>	
Aviation Area	
Utilities	10,788
Maintenance - Buildings	47,032
Power Vault - Diesel Fuel and Maintenance	4,096
Runway, Taxiway and Field Maintenance	63,377
Lighting and Electrical Maintenance	41,261
Field and Gate Maintenance	4,748
Fuel Farm Maintenance	14,406
Snow and Ice Control	68,127
Ramps and Aprons	15,542
Equipment Rental	4,010
Environmental Compliance	3,488
Wildlife Control	2,208
Total Aviation Area	<u>279,083</u>
Terminal Area	
Electricity	298,425
Heating Fuel	22,205
Water and Sewer	84,023
Telephone	11,105
Electrical Maintenance	16,624
HVAC Maintenance	27,299
Building Repairs and Parts	32,268
Plumbing	5,143
Equipment and Furnishings	6,778
Roadway, Parking Lots and Field Maintenance Expense	95,182
Elevator Contract	40,713
Trash Removal Contract	30,110
Other Contractual Services	9,130
Total Terminal Area	<u>679,005</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2016**

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OPERATING EXPENSES (CONTINUED)

Air Cargo Center		
Utilities		15,752
Heating Fuel		429
Trash Removal		3,027
Repairs and Maintenance		2,114
Total Air Cargo Center		<u>21,322</u>
Other Properties		
Office Annex		
Utilities	10,334	
Other Property - Land and Buildings	<u>3,507</u>	
Total Other Properties		<u>13,841</u>
General Area - Public Safety		
Salaries		697,473
FICA Contributions and Unemployment		52,770
Retirement		41,598
Insurance		213,507
General Personnel Expense		18,433
Fire Hall Expense		11,871
Security - Parking and Identification		12,443
Medical Supplies		1,828
Vehicle Fuel		12,824
Supplies		4,092
Equipment Maintenance		19,490
Training		20,169
Uniforms		14,325
Dues and Subscriptions		1,340
Office Supplies		5,040
Telephone		4,994
Access Control		43,241
Medical and Psychological Testing		650
Total General Area - Public Safety		<u>1,176,088</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2016**

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OPERATING EXPENSES (CONTINUED)

General Area - Maintenance

Salaries	390,283
FICA Contributions and Unemployment	28,415
Retirement	22,097
Insurance	174,894
General Personnel Expense	5,180
Utilities	13,801
Heating Fuel	1,778
Repairs and Maintenance	37,990
Gas and Oil	14,516
Small Tools	7,029
Uniforms - Maintenance	4,435
Supplies	11,102
Training	9,670
Total General Area - Maintenance	<u>721,190</u>

General Area - Janitorial

Salaries	258,622
FICA Contributions and Unemployment	19,226
Retirement	15,610
Insurance	52,058
General Personnel Expense	6,874
Supplies	38,838
Repairs and Maintenance	1,044
Uniforms	4,459
Snow Removal and Other	1,110
Total General Area - Janitorial	<u>397,841</u>

General Area - Airport Services

Salaries	55,162
FICA Contributions and Unemployment	4,276
Retirement	3,530
Insurance	7,290
General Personnel Expense	1,205
Supplies	1,608
Uniforms	182
Total General Area - Airport Services	<u>73,253</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2016**

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OPERATING EXPENSES (CONTINUED)

Marketing	
Salaries	122,553
FICA Contributions and Unemployment	9,557
Retirement	7,677
Insurance	11,929
General Personnel Expense	4,330
Advertising	470
Research and Development	18,834
Consulting Services	38,132
Marketing Initiative	255,794
Program Materials	14,312
Airline Relations	939
Community Relations	15,719
Travel	21,019
Professional Affiliations	610
Office Supplies	7,963
Postage	64
Total Marketing	<u>529,902</u>

Administrative	
Salaries	574,616
FICA Contributions and Unemployment	42,595
Retirement	37,460
Medical Insurance	95,566
General Personnel Expense	16,752
Accounting	59,290
Legal	30,220
Insurance	304,670
Dues and Subscriptions	21,709
Consulting Services	63,378
Office Supplies	17,433
Telephone	23,811
Maintenance	24,257
Seminars and Conferences	35,261
General Administrative Expense	24,968
Postage and Handling	1,690
Miscellaneous Equipment	2,855
Total Administrative	<u>1,376,531</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2016**

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OPERATING EXPENSES (CONTINUED)

Air Cargo and Trade Development

Foreign Trade Zone

Marketing Initiatives	900
Contract Services	9,656
Professional Affiliations	3,075
Total Foreign Trade Zone	<u>13,631</u>

Administrative

Travel / Auto	4,016
Supplies, Furniture and Fixtures	1,627
Total Administrative	<u>5,643</u>

Personnel

Salaries	72,825
FICA Contributions and Unemployment	5,425
Medical Insurance	20,152
General Personnel Expense	664
Retirement	4,768
Total Personnel	<u>103,834</u>

Total Air Cargo and Trade Development	<u>123,108</u>
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Parking

Salaries	235,575
FICA Contributions and Unemployment	16,086
General Personnel Expense	18,516
Recruiting	312
Uniforms	668
Supplies	1,731
Ticket and Printing Expense	2,654
Office Supplies	4,960
Repairs and Maintenance	4,715
License and Fees	25
Liability Insurance	300
Utilities	8,185
Postage and Freight	251
Telephone	2,902
Financial Services	1,765
Credit Card Discount	47,736
Miscellaneous	44,363
Management Fee	26,209
Total Parking	<u>416,953</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2016**

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**OPERATING EXPENSES (CONTINUED)**

Engineering	
Salaries	20,935
FICA Contributions and Unemployment	5,724
Retirement	5,302
Insurance	13,400
General Personnel Expense	715
Supplies	1,279
Software Updates	1,217
Miscellaneous	1,434
Dues and Subscriptions	730
Total Engineering	<u>50,736</u>
Business Development	
Programs and Materials	30,899
Partnerships	1,307
Total Business Development	<u>32,206</u>
RAC Service Facility	
Utilities	<u>76,268</u>
Ground Handling Services	
Salaries	121,666
FICA Contributions and Unemployment	10,504
Retirement	6,759
General Personnel Expense	7,025
Training	179
Supplies	854
Equipment and Maintenance	5,698
Miscellaneous	3,688
Total Ground Handling Services	<u>156,373</u>
Aerospace Park	
Industry Travel	25,803
Marketing	23,188
Contracted Services	4,590
Total Aerospace Park	<u>53,581</u>
Total Operating Expenses	<u>6,177,281</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2016**

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Operating Income before Depreciation	416,451
Less: Depreciation	<u>4,827,993</u>
Operating Loss	<u>(4,411,542)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	13,068
Interest Expense	(58,735)
Proceeds from Sale of Assets	8,329
PFC Revenue	846,289
CFC Revenue	416,225
Total Nonoperating Revenues (Expenses)	<u>1,225,176</u>
Loss before Capital Contributions	<u>(3,186,366)</u>
CAPITAL CONTRIBUTIONS	
Federal Grants	3,378,077
State Grants	3,117,345
Total Capital Contributions	<u>6,495,422</u>
CHANGE IN NET POSITION	3,309,056
NET POSITION, JULY 1	<u>88,436,360</u>
NET POSITION, JUNE 30	<u><u>\$ 91,745,416</u></u>

The accompanying notes are an integral part of these basic financial statements.

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2016**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 6,590,512
Cash Payments to Suppliers for Goods and Services	(2,226,867)
Cash Payments to Employees for Services	(2,483,848)
Cash Payments for Employee Benefits	(1,158,765)
Cash Payments for Insurance	(341,623)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	379,409
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(6,524,299)
Proceeds from Sale of Assets	8,329
Capital Grants Received	5,773,984
PFC Funds Received	878,698
CFC Funds Received	416,225
Interest Paid	(66,067)
Bond Payments	(310,000)
	<hr/>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	176,870
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(9,258)
Interest Received	13,068
	<hr/>
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,810
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	560,089
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	2,901,849
	<hr/>
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	\$ 3,461,938
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(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2016**

RECONCILIATION OF OPERATING LOSS TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	\$ (4,411,542)
Adjustments	
Depreciation	4,827,993
Changes in Deferred Outflows for Pensions	(18,724)
Changes in Deferred Inflows for Pensions	(431,967)
(Increase) Decrease in Assets	
Net Accounts Receivable	(3,220)
Prepaid Expenses	(36,953)
Increase (Decrease) in Liabilities	
Accounts Payable	94,739
Accrued Expenses	7,860
Accrued Compensated Absences	45,555
Accrued Wages	20,307
Deposits from Lessees	(650)
Net Pension Liability	286,011

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 379,409

RECONCILIATION TO STATEMENT OF NET POSITION

Cash on Hand	\$ 2,190
Cash in Bank - Checking	1,719,151
Cash in Bank - Passenger Facility Charges	877,242
Cash in Bank - Customer Facility Charges	287,990
Cash in Bank - Escrow	191,035
Cash on Deposit with other Governmental Entities - Debt Service Reserve	384,330

CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR

\$ 3,461,938

The accompanying notes are an integral part of these basic financial statements.

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## Notes to the Basic Financial Statements



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**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Tri-Cities Airport Authority (the Authority) is reported as an enterprise fund, a proprietary fund type to account for the operation of the Airport facility. The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Reimbursements of operating expenses by the federal and state governments are reported as operating revenues. Operating expenses for the Authority include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

**Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Restricted Assets**

Restricted assets are held to satisfy bond principal and interest sinking fund requirements or are otherwise held for certain capital improvement projects.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are reported at the net realizable amounts from third-party payors, lessee payments, and other services rendered. Accounts receivable are reported net of an allowance for uncollectible amounts. The allowance for uncollectible amounts is based on prior collection history of receivables, known collection risks and environmental factors, including the age of the receivables.

**Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, runways, parking lots, and similar items), are defined by the Authority as assets with an initial individual cost of \$3,000 and greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Runways, Roads, etc.	20 years
Parking Lot	20 years
Terminal Building	30 years
Other Buildings	30 years
Equipment and Vehicles	5-20 years
Master Plans	10 years

**Investments and Cash Equivalents**

Investments are recorded at fair value as determined by quoted market prices at the Statement of Net Position date. Investments that have an original maturity of three months or less are considered cash equivalents for purposes of the Statement of Cash Flows.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Outflows / Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items reported as a deferred outflows. (1) The Pension Contributions After Measurement Date are equivalent to the Authority's pension contributions made to the Tennessee Consolidated Retirement System (TCRS) during fiscal year 2016, and will be recognized as a reduction to net pension liability in the following measurement period, and (2) The Pension Changes in Experience - Plans 1 and 2 is a result of the June 30, 2015 actuarial study for the Authority's agent multiple-employer pension plan through TCRS, and is being amortized over the average remaining service period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items reported as deferred inflows. (1) The Pension Changes in Experience - Plan 1 is a result of the June 30, 2015 actuarial study for the Authority's agent multiple-employer pension plan through TCRS, and is being amortized over the average remaining service period, and (2) The Net Pension Changes in Investment Earnings is a result of the June 30, 2015 actuarial study for the Authority's agent multiple-employer pension plan through TCRS, and is being amortized over a five-year period.

**Net Position**

Net Position is the difference between assets and deferred outflows of resources minus liabilities and deferred inflows of resources. The Net Investment in Capital Assets is calculated as capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations on its use by external restrictions imposed by other governments, creditors or grantors.

**Budgets**

Under the by-laws of the Authority, management must submit an annual operating budget to the Tri-Cities Airport Board of Commissioners for approval. In addition, management must submit to the Commissioners annually a capital improvements budget.

The Authority is not required to demonstrate statutory compliance with annual operating or capital improvement budgets. Accordingly, budgetary data is not included in the basic financial statements. Unexpended appropriations lapse at fiscal year end.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pensions**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's participation in the Public Employee Retirement Plan of the TCRS, and additions to/deductions from the Authority's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**New Accounting Pronouncement**

During the fiscal year, the Authority early implemented GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The impact of this statement to the Authority is solely in the terminology used for covered payroll as related to the TCRS pension.

**NOTE 2 - GENERAL INFORMATION**

The Authority is jointly governed by the following governmental agencies:

	<u>Representation</u>
Washington County, Tennessee	3 Commissioners
City of Johnson City, Tennessee	3 Commissioners
Sullivan County, Tennessee	2 Commissioners
City of Kingsport, Tennessee	2 Commissioners
City of Bristol, Tennessee	1 Commissioner
City of Bristol, Virginia	1 Commissioner

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Cash on the Statement of Net Position and Statement of Cash Flows include cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less. There are some certificates of deposit that have an original maturity of greater than three months. These are shown as noncurrent assets.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Cash and Certificates of Deposit are covered by Federal Deposit Insurance Corporation (FDIC) insurance or by the state collateral pool. The Authority is exposed to concentration of credit risk by placing its deposits in financial institutions. To mitigate custodial credit risk, the Authority ensures that bank balances in excess of the FDIC coverage are held in financial institutions which are members of the State of Tennessee bank collateral pool to ensure excess balances are fully collateralized at all times.

DEPOSITS - All deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the fair value of uninsured deposits. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) By an amount equal to 110% of the fair value of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) By an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) By providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

**NOTE 4 - DEBT SERVICE RESERVE**

The debt service account was funded from restricted assets of the Authority. The cash is on deposit with the Sullivan County Trustee and is to be invested in an interest bearing account. These monies are to be used only to the extent that the funds in the principal and interest account are insufficient to cover principal and interest requirements for the bonds described in Note 9.

**NOTE 5 - PREPAID EXPENSES**

Payments made for insurance that will benefit periods beyond June 30, 2016 are recorded as prepaid. Prepaid expenses consisted of the following:

Insurance	<u>\$100,960</u>
Total Prepaid Expenses	<u>\$100,960</u>

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 15,294,926	-	-	15,294,926
Construction in Progress	20,707,876	7,440,840	(19,958,963)	8,189,753
Total Capital Assets, Not Being Depreciated	36,002,802	7,440,840	(19,958,963)	23,484,679
Capital Assets, Being Depreciated				
Runways and Roads	78,641,186	15,630,342	-	94,271,528
Parking Lot	4,936,487	-	-	4,936,487
Terminal Building	17,860,543	1,478,087	-	19,338,630
Other Buildings	11,494,156	2,659,766	-	14,153,922
Equipment and Vehicles	10,299,345	304,920	(41,590)	10,562,675
Master Plans	1,320,045	-	-	1,320,045
Total Capital Assets, Being Depreciated	124,551,762	20,073,115	(41,590)	144,583,287
Accumulated Depreciation				
Runways and Roads	(46,245,727)	(3,066,550)	-	(49,312,277)
Parking Lot	(2,681,386)	(224,572)	-	(2,905,958)
Terminal Building	(10,640,852)	(703,565)	-	(11,344,417)
Other Buildings	(5,955,815)	(422,398)	-	(6,378,213)
Equipment and Vehicles	(8,424,937)	(325,214)	41,590	(8,708,561)
Master Plans	(639,010)	(85,694)	-	(724,704)
Total Accumulated Depreciation	(74,587,727)	(4,827,993)	41,590	(79,374,130)
Net Capital Assets, Being Depreciated	49,964,035	15,245,122	0	65,209,157
Net Capital Assets	\$ 85,966,837	22,685,962	(19,958,963)	88,693,836

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 7 - RESTRICTED ASSETS**

Money received from the airlines for passenger facility charges is restricted for use on capital improvement projects approved by the Federal Aviation Administration or to repay debt associated with these projects.

A customer facility charge assessed on rental car contracts is restricted for use on capital improvement projects associated with the rental car enterprises.

Cash on deposit with other governmental entities is restricted for use on debt service.

Cash on deposit is restricted for use on payment of construction escrows.

**NOTE 8 - ACCRUED COMPENSATED ABSENCES**

Employees earn 40 hours of vacation at the completion of six months of service; 80 additional hours after completion of one year; 120 hours after five years, 160 hours after 12 years; and 200 hours after 25 years of continuous employment. Vacation time is awarded on the anniversary date and should be used during the year; however, unused vacation time of up to 120 hours can be carried forward into the next year. The carry forward amount cannot accumulate for more than a one year period and the carry forward balance cannot exceed 120 hours at any time.

Employees earn one sick day per month to a maximum of 10 per year. An unlimited number of days may be accumulated toward retirement; however, no lump sum payment will be made by the Authority for accumulated sick days.

Employees, excluding supervisors and senior staff, may accumulate additional leave for overtime hours worked in lieu of immediate payment. This amount is accrued at the present pay rate multiplied by those hours, which are adjusted to reflect time and a half.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 9 - LONG-TERM DEBT**

**Airport Revenue and Tax Refunding, Series 2014 Bonds**

The \$2,975,000 Airport Revenue and Tax Refunding (Taxable) Bonds, Series 2014A, were issued January 28, 2014 by Sullivan County, Tennessee for the purpose of providing funds to refinance in advance of its maturity the Authority's outstanding Airport Revenue and Tax Bonds, Series 2003 dated August 1, 2003, maturing May 1, 2023.

The bonds are payable primarily from and secured by a pledge and assignment of PFC and operating revenues from the Authority. The bonds will mature serially each May 1, beginning May 1, 2014 and ending May 1, 2023. Interest rates are scheduled and vary from 5.125% to 5.8%. Interest payments are due semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>, beginning May 1, 2014.

Total Airport Revenue and Tax Refunding Bonds debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal Payments	Annual Interest	Total Debt Service
2017	\$ 310,000	59,868	369,868
2018	320,000	53,667	373,667
2019	330,000	47,268	377,268
2020	335,000	40,668	375,668
2021	350,000	32,460	382,460
2022	360,000	23,010	383,010
2023	370,000	12,210	382,210
	\$ 2,375,000	269,151	2,644,151

Long-term liability activity for the fiscal year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 2,685,000	-	(310,000)	2,375,000	310,000
Plus: Premium	28,373	-	(6,305)	22,068	-
Total Bonds Payable	2,713,373	0	(316,305)	2,397,068	310,000
Compensated Absences	197,016	168,462	(122,907)	242,571	234,463
Net Pension Liability	595,320	829,274	(543,263)	881,331	-
Total Long-Term Liabilities	\$ 3,505,709	997,736	(982,475)	3,520,970	544,463

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 10 - PENSION PLANS**

**General Information about the Pension Plans**

***Plan Descriptions***

Employees of the Authority are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

The Authority withdrew from TCRS effective July 1, 2012. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS under Plan 1. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer. The Authority re-entered TCRS effective July 1, 2013 under Plan 2. Employees hired between July 1, 2012 and June 30, 2013, the notice period, were given the choice to be in either plan.

***Benefits Provided***

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members of Plan 1 are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members of Plan 2 are eligible to retire with an unreduced benefit at age 65 with 5 years of service or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members of both plans vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 10 - PENSION PLANS (CONTINUED)**

**General Information about the Pension Plans (Continued)**

***Employees Covered by Benefit Terms***

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

**Plan 1**

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	49
Active employees	32
	<u>124</u>

**Plan 2**

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	8
	<u>8</u>

***Contributions***

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Authority has adopted noncontributory plans and makes employer contributions at the rates set by the Board of Trustees as determined by actuarial valuations. For the fiscal year ended June 30, 2015, the Actuarially Determined Contributions (ADC) for the Authority were \$283,053 based on a rate of 18.10 percent of covered payroll for Plan 1 and \$20,529 based on a rate of 5.90 percent of covered payroll for Plan 2. By law, employer contributions are required to be paid. The TCRS may intercept the Authority's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The Authority's net pension liabilities (assets) were measured as of June 30, 2015, and the total pension liabilities (assets) used to calculate net pension liability (asset) were determined by actuarial valuations as of that date.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 10 - PENSION PLANS (CONTINUED)**

**Net Pension Liability (Asset) (Continued)**

***Actuarial Assumptions***

The total pension liabilities as of June 30, 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 10 - PENSION PLANS (CONTINUED)**

**Net Pension Liability (Asset) (Continued)**

***Actuarial Assumptions (Continued)***

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	6.46%	33.00%
Developed Market International Equity	6.26%	17.00%
Emerging Market International Equity	6.40%	5.00%
Private Equity and Strategic Lending	4.61%	8.00%
U.S. Fixed Income	0.98%	29.00%
Real Estate	4.73%	7.00%
Short-Term Securities	0.00%	1.00%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.50 percent based on a blending of the three factors described above.

***Discount Rate***

The discount rate used to measure the total pension liabilities was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Authority will be made at the actuarially determined contribution rates pursuant to actuarial valuations in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plans' fiduciary net positions were projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Changes in the Net Pension Liability (Asset)**

**Plan 1**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/2014	\$ 8,427,273	7,825,214	602,059
Changes for the fiscal year:			
Service Cost	147,240	-	147,240
Interest	627,504	-	627,504
Differences Between Expected and Actual Experience	14,422	-	14,422
Contributions - Employer	-	283,053	(283,053)
Net Investment Income	-	238,941	(238,941)
Benefits Payments, Including Refunds of Employee Contributions	(415,589)	(415,589)	-
Administrative Expense	-	(1,776)	1,776
Net Changes	<u>373,577</u>	<u>104,629</u>	<u>268,948</u>
Balance at 6/30/2015	<u>\$ 8,800,850</u>	<u>7,929,843</u>	<u>871,007</u>

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE 10 - PENSION PLANS (CONTINUED)**

**Changes in the Net Pension Liability (Asset) (Continued)**

**Plan 2**

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/2014	\$ 7,173	13,912	(6,739)
Changes for the fiscal year:			
Service Cost	20,529	-	20,529
Interest	2,078	-	2,078
Differences Between Expected and Actual Experience	15,401	-	15,401
Contributions - Employer	-	20,529	(20,529)
Net Investment Income	-	740	(740)
Administrative Expense	-	(324)	324
Net Changes	<u>38,008</u>	<u>20,945</u>	<u>17,063</u>
Balance at 6/30/2015	<u>\$ 45,181</u>	<u>34,857</u>	<u>10,324</u>

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the net pension liability (asset) of the Authority calculated using the discount rate of 7.50 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1.00-percentage-point lower (6.50 percent) or 1.00-percentage-point higher (8.50 percent) than the current rate:

**Plan 1**

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Tri-Cities Airport Authority's Net Pension Liability (Asset)	<u>\$ 1,874,673</u>	<u>871,007</u>	<u>19,905</u>

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 10 - PENSION PLANS (CONTINUED)**

**Changes in the Net Pension Liability (Asset) (Continued)**

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate (Continued)***

**Plan 2**

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Tri-Cities Airport Authority's Net Pension Liability (Asset)	<u>\$ 19,254</u>	<u>10,324</u>	<u>3,049</u>

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

***Pension Expense***

For the fiscal year ended June 30, 2016, the Authority recognized pension expense of \$111,386 for Plan 1 and \$22,828 for Plan 2.

***Deferred Outflows of Resources and Deferred Inflows of Resources***

For the fiscal year ended June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Plan 1**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 9,615	102,076
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	93,603
Contributions Subsequent to the Measurement Date of June 30, 2015	<u>267,553</u>	<u>(not applicable)</u>
Total	<u>\$ 277,168</u>	<u>195,679</u>

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 10 - PENSION PLANS (CONTINUED)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

***Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)***

**Plan 2**

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences Between Expected and Actual Experience	\$ 16,229	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	500	-
Contributions Subsequent to the Measurement Date of June 30, 2015	<u>31,341</u>	<u>(not applicable)</u>
Total	<u><u>\$ 48,070</u></u>	<u><u>0</u></u>

The amounts shown above for "Contributions Subsequent to the Measurement Date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Plan 1**

Fiscal Year Ended June 30:	
2017	\$ (83,280)
2018	(83,280)
2019	(88,087)
2020	68,583

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 10 - PENSION PLANS (CONTINUED)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to Pensions (Continued)**

***Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)***

**Plan 2**

Fiscal Year Ended June 30:		
2017	\$	1,698
2018		1,698
2019		1,698
2020		1,815
2021		1,603
Thereafter		8,217

In the tables shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**NOTE 11 - RISK MANAGEMENT ACTIVITIES**

The Authority carries insurance coverage through ACE and Cincinnati Insurance Company for general liability, commercial property, business automobile liability, and business interruption/loss of income. Workers compensation insurance is provided through USAIG. Additional coverage for public officials is provided by AIG.

The Authority established an investment account committed as an insurance contingency fund to cover any claims not covered by insurance during the fiscal year ended June 30, 1987. The action required initial funding of \$500,000. During the fiscal year ended June 30, 1990, an additional \$200,000 was added. Funding for successive fiscal years is subject to a majority vote of the Authority. Withdrawals from the fund will only be allowed by a two-thirds vote of the Authority. There have been no claims paid from this fund over the past nine fiscal years.

In addition, the Authority provides medical insurance through United Healthcare. No portion of health insurance is self-funded. No settlements exceeded insurance coverage for each of the past eight fiscal years.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2016**

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**NOTE 12 - LITIGATION**

The Authority is involved in various legal proceedings arising in the normal course of business. To the extent the outcome of such litigation has been determined to result in probable loss to the Authority, such loss for which the Authority is responsible for funding has been accrued in the accompanying financial statements. Litigation where loss to the Authority is reasonably possible has not been accrued; however, the Authority and Attorney for the Authority have not identified any events which appear both probable and measurable.

The Authority holds a private insurance policy which has an aggregate deductible of \$25,000; therefore, the Authority has accrued \$25,000 that is the maximum liability to the Authority.

The Authority and Attorney for the Authority believes that the various asserted claims and litigation will not materially affect its financial position, although no assurance can be given with respect to the ultimate outcome of any such claims or litigation.

**NOTE 13 - DISADVANTAGED-OWNED BUSINESS EXPENSES**

The Authority's disadvantaged-owned business goals were as follows:

<u>Project</u>	<u>Goal</u>	<u>Actual</u>
AIP 3-47-004-64	4.90%	In process
AIP 3-47-004-65	4.90%	In process
AIP 3-47-004-66	4.90%	In process
AIP 3-47-004-67	4.90%	In process

**NOTE 14 - ECONOMIC DEPENDENCY**

The Authority obtains substantially all of its funding for capital projects and improvements from grants provided by the Federal Aviation Administration and State of Tennessee Department of Transportation Aeronautics Division.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

The Authority has entered into approximately \$3,200,000 of construction contract commitments that had begun and were in-process at fiscal year end. These construction contract commitments will be paid primarily with capital grants.

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## Required Supplemental Information



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**TRI-CITIES AIRPORT AUTHORITY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN TRI-CITIES AIRPORT AUTHORITY'S NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 1 OF TCRS**  
**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 148,999	147,240
Interest	613,697	627,504
Differences between Actual and Expected Experience	(170,126)	14,422
Benefit Payments, including Refunds of Employee Contributions	(397,859)	(415,589)
<b>Net Change in Total Pension Liability</b>	<u>194,711</u>	<u>373,577</u>
<b>Total Pension Liability - Beginning</b>	<u>8,232,562</u>	<u>8,427,273</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 8,427,273</u></u>	<u><u>8,800,850</u></u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 299,934	283,053
Net Investment Income	1,119,862	238,941
Benefit Payments, including Refunds of Employee Contributions	(397,859)	(415,589)
Administrative Expense	(1,755)	(1,776)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>1,020,182</u>	<u>104,629</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>6,805,032</u>	<u>7,825,214</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 7,825,214</u></u>	<u><u>7,929,843</u></u>
 <b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<u><u>\$ 602,059</u></u>	<u><u>871,007</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	92.86%	90.10%
 <b>Covered Payroll</b>	\$ 1,676,554	1,563,831
 <b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	35.91%	55.70%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF TRI-CITIES AIRPORT AUTHORITY'S CONTRIBUTIONS BASED ON**  
**PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 1 OF TCRS**  
**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 299,934	283,053	267,553
Contributions in relation to the Actuarially Determined Contribution	299,934	283,053	267,553
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>
Covered Payroll	\$ 1,676,554	1,563,831	1,478,191
Contributions as a Percentage of Covered Payroll	17.89%	18.10%	18.10%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

## Notes to Schedule

*Valuation date:*

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	10 years
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.5 percent

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN TRI-CITIES AIRPORT AUTHORITY'S NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 2 OF TCRS**  
**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 4,222	20,529
Interest	317	2,078
Differences between Actual and Expected Experience	2,634	15,401
<b>Net Change in Total Pension Liability</b>	7,173	38,008
<b>Total Pension Liability - Beginning</b>	-	7,173
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 7,173</u>	<u>45,181</u>
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 13,022	20,529
Net Investment Income	1,065	740
Administrative Expense	(175)	(324)
<b>Net Change in Plan Fiduciary Net Position</b>	13,912	20,945
<b>Plan Fiduciary Net Position - Beginning</b>	-	13,912
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 13,912</u>	<u>34,857</u>
 <b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<u>\$ (6,739)</u>	<u>10,324</u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	193.95%	77.15%
 <b>Covered Payroll</b>	\$ 220,720	347,955
 <b>Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	(3.05)%	2.97%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF TRI-CITIES AIRPORT AUTHORITY'S CONTRIBUTIONS BASED ON**  
**PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN 2 OF TCRS**  
**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 13,022	20,529	31,341
Contributions in relation to the			
Actuarially Determined Contribution	13,022	20,529	31,341
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>
 Covered Payroll	 \$ 220,720	 347,955	 531,311
Contributions as a Percentage of			
Covered Payroll	5.90%	5.90%	5.90%

This is a 10-Year Schedule; however, the information in this Schedule is not required to be presented retroactively. Years will be added to this Schedule in future fiscal years until 10 fiscal years of information is available.

## Notes to Schedule

*Valuation date:*

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (not to exceed 20 years)
Remaining Amortization Period	0 years
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost-of-Living Adjustments	2.5 percent

See Independent Auditors' Report.

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## Supplemental Schedules



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**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2016**

CFDA Number	Grantor Agency	Grant Number	Program Description	Expenditures <sup>a b</sup>
20.106	Federal Aviation Administration	AIP 3-47-0004-64	Runway 5/23 Rehab; Airfield Runway Aero Survey	\$ 710,207
		AIP 3-47-0004-65	Rehabilitate Terminal Access Road, Emergency Operations Center, Access Control, Security Center Relocation and Perimeter Security Fence	422,019
		AIP 3-47-0004-66	Terminal Roadway Improvement Phase II	937,629
		AIP 3-47-0004-67	GA Ramp Expansion, Rehab Phase II and Terminal Checkpoint Reconfiguration	1,308,842
				<u>\$ 3,378,697</u>

<sup>a</sup> This Schedule reflects the federal grantor's share of the expenditures.

<sup>b</sup> There were no pass-through entities or subrecipients.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2016**

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**NOTE 1 - BASIS OF PRESENTATION**

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Tri-Cities Airport Authority under programs of the federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Tri-Cities Airport Authority, it is not intended to, and does not present, the financial position, changes in net assets or cash flows of Tri-Cities Airport Authority.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Tri-Cities Airport Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**FEDERAL GRANT AIP #3-47-0004-64**  
**COMPARISON OF ACTUAL EXPENDITURES TO BUDGET**  
**Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23 Rehab	\$ 676,613	14,709,444	14,978,700	269,256	-
Airfield Runway Aero Survey	3,648	110,995	112,623	1,628	-
Rehab Design Construction	80,538	755,308	704,200	(51,108)	-
Runway Pavement	28,320	28,320	-	(28,320)	-
	<u>\$ 789,119</u>	<u>15,604,067</u>	<u>15,795,523</u>	<u>191,456</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 710,207	14,043,659	14,215,971	172,312	-
State Grant (5%)	39,456	780,204	789,776	9,572	-
Tri-Cities Airport Authority	39,456	780,204	789,776	9,572	-
	<u>\$ 789,119</u>	<u>15,604,067</u>	<u>15,795,523</u>	<u>191,456</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**FEDERAL GRANT AIP #3-47-0004-65**  
**COMPARISON OF ACTUAL EXPENDITURES TO BUDGET**  
**Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Rehabilitate Terminal Access Road	\$ 468,911	848,228	1,340,276	492,048	-
Emergency Operations Center					
Access Control, Security Center Relocation and Perimeter Security Fence	-	907,122	754,921	(152,201)	-
	<u>\$ 468,911</u>	<u>1,755,350</u>	<u>2,095,197</u>	<u>339,847</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant	\$ 422,019	1,579,814	1,885,677	305,863	-
State Grant	23,446	42,409	55,500	13,091	-
State Grant	-	37,500	37,500	-	-
Tri-Cities Airport Authority	23,446	95,627	116,520	20,893	-
	<u>\$ 468,911</u>	<u>1,755,350</u>	<u>2,095,197</u>	<u>339,847</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**FEDERAL GRANT AIP #3-47-0004-66**  
**COMPARISON OF ACTUAL EXPENDITURES TO BUDGET**  
**Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Roadway Improvement Phase II	\$ 1,041,888	1,347,310	1,865,346	518,036	-
	<u>\$ 1,041,888</u>	<u>1,347,310</u>	<u>1,865,346</u>	<u>518,036</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 937,629	1,212,509	1,678,811	466,302	-
State Grant (5%)	53,498	65,634	93,268	27,634	-
Tri-Cities Airport Authority	<u>50,761</u>	<u>69,167</u>	<u>93,267</u>	<u>24,100</u>	<u>-</u>
	<u>\$ 1,041,888</u>	<u>1,347,310</u>	<u>1,865,346</u>	<u>518,036</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**FEDERAL GRANT AIP #3-47-0004-67**  
**COMPARISON OF ACTUAL EXPENDITURES TO BUDGET**  
**Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Checkpoint Improvement	\$ 237,936	237,935	250,106	12,171	-
GA Development Hangars	19,461	136,135	236,107	99,972	-
GA Ramp Expansion and Rehab Phase II	1,216,334	1,216,334	1,683,037	466,703	-
	<u>\$ 1,473,731</u>	<u>1,590,404</u>	<u>2,169,250</u>	<u>578,846</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 1,308,842	1,308,842	1,842,890	534,048	-
State Grant	17,515	122,521	89,100	(33,421)	-
State Grant	72,713	72,713	134,877	62,164	-
Tri-Cities Airport Authority	74,661	86,328	102,383	16,055	-
	<u>\$ 1,473,731</u>	<u>1,590,404</u>	<u>2,169,250</u>	<u>578,846</u>	<u>0</u>

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2016**

CFDA Number	Grantor Agency	Grant Number	Program Description	Expenditures <sup>a</sup> <sup>b</sup>
N/A	TN Dept. of Transportation			
		82-555-0132-04	Terminal Roadway Improvement Phase II (AIP 66)	\$ 53,498
		82-555-0424-04	Runway 5/23 Rehab Airfield Runway Aero Survey (AIP 64)	39,456
		82-555-0428-04	Aviation Park II - Master Grading Plan	9,823
		82-555-0726-04	Terminal Access Road (AIP 65)	23,446
		82-555-0727-04	Short-Term Parking Entrance	316,869
		82-555-0729-04	ASG Hangar Roof Upgrade	658
		82-555-0730-04	Maintenance and Public Safety Vehicles and Equipment	26,746
		82-555-0731-04	Terminal Access Road and Parking Lot Improvements Phase II	1,859,868
		82-555-0733-04	Terminal Area Energy Efficient Study	25,539
		82-555-0734-04	Professional Services Phase III	95,000
		82-555-0735-04	Airport Radio System and Equipment	175,841
		82-555-1711-04	Professional Services	110,203
		82-555-1713-04	Terminal Building Improvements Phase III	286,426
		82-555-1720-04	G.A. Development T Hangars (AIP 67)	90,228
		82-555-1721-04	Equipment Replacement	606
				<u>\$ 3,114,207</u>

<sup>a</sup> This Schedule reflects the state grantor's share of the expenditures.

<sup>b</sup> There were no pass-through entities or subrecipients.

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY**  
**TENNESSEE GRANT 82-555-0132-04**  
**COMPARISON OF ACTUAL EXPENDITURES TO BUDGET**  
**Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Roadway Improvement Phase II	\$ 1,041,888	1,347,310	1,865,346	518,036	-
	<u>\$ 1,041,888</u>	<u>1,347,310</u>	<u>1,865,346</u>	<u>518,036</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant	\$ 937,629	1,212,509	1,678,811	466,302	-
State Grant (5%)	53,498	65,634	93,268	27,634	-
Tri-Cities Airport Authority	50,761	69,167	93,267	24,100	-
	<u>\$ 1,041,888</u>	<u>1,347,310</u>	<u>1,865,346</u>	<u>518,036</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0424-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23 Rehab	\$ 676,613	14,709,444	14,978,700	269,256	-
Airfield Runway Aero Survey	3,648	110,995	112,623	1,628	-
Rehab Design Construction	80,538	755,308	704,200	(51,108)	-
Runway Pavement	28,320	28,320	-	(28,320)	-
	<u>\$ 789,119</u>	<u>15,604,067</u>	<u>15,795,523</u>	<u>191,456</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 710,207	14,043,659	14,215,971	172,312	-
State Grant (5%)	39,456	780,204	789,776	9,572	-
Tri-Cities Airport Authority	39,456	780,204	789,776	9,572	-
	<u>\$ 789,119</u>	<u>15,604,067</u>	<u>15,795,523</u>	<u>191,456</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0428-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Aviation Park II - Master Grading Plan	\$ 10,347	59,160	76,480	17,320	-
	<u>\$ 10,347</u>	<u>59,160</u>	<u>76,480</u>	<u>17,320</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 9,823	56,195	72,656	16,461	-
Tri-Cities Airport Authority	524	2,965	3,824	859	-
	<u>\$ 10,347</u>	<u>59,160</u>	<u>76,480</u>	<u>17,320</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**TENNESSEE GRANT 82-555-0726-04**  
**COMPARISON OF ACTUAL EXPENDITURES TO BUDGET**  
**Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Access Road	\$ 468,911	848,228	1,340,276	492,048	-
	<u>\$ 468,911</u>	<u>848,228</u>	<u>1,340,276</u>	<u>492,048</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (90%)	\$ 422,019	763,404	1,206,248	442,844	-
State Grant	23,446	42,409	55,500	13,091	-
Tri-Cities Airport Authority	<u>23,446</u>	<u>42,415</u>	<u>78,528</u>	<u>36,113</u>	<u>-</u>
	<u>\$ 468,911</u>	<u>848,228</u>	<u>1,340,276</u>	<u>492,048</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0727-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Short-Term Parking Entrance	\$ 359,737	451,191	425,000	(26,191)	-
	<u>\$ 359,737</u>	<u>451,191</u>	<u>425,000</u>	<u>(26,191)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 316,869	403,750	403,750	-	-
Tri-Cities Airport Authority	<u>42,868</u>	<u>47,441</u>	<u>21,250</u>	<u>(26,191)</u>	<u>-</u>
	<u>\$ 359,737</u>	<u>451,191</u>	<u>425,000</u>	<u>(26,191)</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0729-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
ASG Hangar Roof Upgrade	\$ 692	269,360	274,200	4,840	-
	<u>\$ 692</u>	<u>269,360</u>	<u>274,200</u>	<u>4,840</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 658	255,892	260,490	4,598	-
Tri-Cities Airport Authority	<u>34</u>	<u>13,468</u>	<u>13,710</u>	<u>242</u>	<u>-</u>
	<u>\$ 692</u>	<u>269,360</u>	<u>274,200</u>	<u>4,840</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0730-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Maintenance and Public Safety					
Vehicles and Equipment	\$ 32,326	233,172	229,000	(4,172)	-
	<u>\$ 32,326</u>	<u>233,172</u>	<u>229,000</u>	<u>(4,172)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 26,746	217,550	217,550	-	-
Tri-Cities Airport Authority	5,580	15,622	11,450	(4,172)	-
	<u>\$ 32,326</u>	<u>233,172</u>	<u>229,000</u>	<u>(4,172)</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0731-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Access Road and Parking Lot Improvements Phase II	\$ 1,957,756	2,271,306	2,275,000	3,694	-
	<u>\$ 1,957,756</u>	<u>2,271,306</u>	<u>2,275,000</u>	<u>3,694</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 1,859,868	2,157,741	2,161,250	3,509	-
Tri-Cities Airport Authority	<u>97,888</u>	<u>113,565</u>	<u>113,750</u>	<u>185</u>	<u>-</u>
	<u>\$ 1,957,756</u>	<u>2,271,306</u>	<u>2,275,000</u>	<u>3,694</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0733-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Area Energy Efficient Study	\$ 26,883	111,654	112,700	1,046	-
	<u>\$ 26,883</u>	<u>111,654</u>	<u>112,700</u>	<u>1,046</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 25,539	106,072	107,065	993	-
Tri-Cities Airport Authority	1,344	5,582	5,635	53	-
	<u>\$ 26,883</u>	<u>111,654</u>	<u>112,700</u>	<u>1,046</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-0734-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Professional Services Phase III	\$ 137,170	137,170	100,000	(37,170)	-
	<u>\$ 137,170</u>	<u>137,170</u>	<u>100,000</u>	<u>(37,170)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 95,000	95,000	95,000	-	-
Tri-Cities Airport Authority	42,170	42,170	5,000	(37,170)	-
	<u>\$ 137,170</u>	<u>137,170</u>	<u>100,000</u>	<u>(37,170)</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**TENNESSEE GRANT 82-555-0735-04**  
**COMPARISON OF ACTUAL EXPENDITURES TO BUDGET**  
**Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Airport Radio System and Equipment	\$ 185,096	185,150	225,000	39,850	-
	<u>\$ 185,096</u>	<u>185,150</u>	<u>225,000</u>	<u>39,850</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (95%)	\$ 175,841	175,841	213,750	37,909	-
Tri-Cities Airport Authority	9,255	9,309	11,250	1,941	-
	<u>\$ 185,096</u>	<u>185,150</u>	<u>225,000</u>	<u>39,850</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**TENNESSEE GRANT 82-555-1711-04**  
**COMPARISON OF ACTUAL EXPENDITURES TO BUDGET**  
**Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Professional Services	\$ 122,266	191,263	190,000	(1,263)	-
	<u>\$ 122,266</u>	<u>191,263</u>	<u>190,000</u>	<u>(1,263)</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 110,203	175,750	175,750	-	-
Tri-Cities Airport Authority	12,063	15,513	14,250	(1,263)	-
	<u>\$ 122,266</u>	<u>191,263</u>	<u>190,000</u>	<u>(1,263)</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY**  
**TENNESSEE GRANT 82-555-1713-04**  
**COMPARISON OF ACTUAL EXPENDITURES TO BUDGET**  
**Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Building Improvements - Phase III Design	\$ -	44,870	44,870	-	-
Terminal Building Improvements - Construction	301,500	1,779,023	1,781,128	2,105	-
	<u>\$ 301,500</u>	<u>1,823,893</u>	<u>1,825,998</u>	<u>2,105</u>	<u>0</u>
<u>Share of Cost</u>					
<u>Design</u>					
State Grant (90%)	\$ -	40,383	40,383	-	-
Tri-Cities Airport Authority	-	4,487	4,487	-	-
	<u>0</u>	<u>44,870</u>	<u>44,870</u>	<u>0</u>	<u>0</u>
<u>Construction - 2012</u>					
State Grant (95%)	-	582,500	582,500	-	-
Tri-Cities Airport Authority	-	30,658	30,658	-	-
	<u>0</u>	<u>613,158</u>	<u>613,158</u>	<u>0</u>	<u>0</u>
<u>Construction - 2013</u>					
State Grant (95%)	159,563	980,709	980,709	-	-
Tri-Cities Airport Authority	8,397	51,616	51,616	-	-
	<u>167,960</u>	<u>1,032,325</u>	<u>1,032,325</u>	<u>0</u>	<u>0</u>
<u>Construction - 2016</u>					
State Grant (95%)	126,863	126,863	128,863	2,000	-
Tri-Cities Airport Authority	6,677	6,677	6,782	105	-
	<u>133,540</u>	<u>133,540</u>	<u>135,645</u>	<u>2,105</u>	<u>0</u>
	<u>\$ 301,500</u>	<u>1,823,893</u>	<u>1,825,998</u>	<u>2,105</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-1720-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Checkpoint Improvement	\$ 237,936	237,936	250,106	12,170	-
GA Development Hangars	19,461	136,135	236,107	99,972	-
GA Ramp Expansion and Rehabilitation Phase II	1,216,334	1,216,334	1,683,037	466,703	-
	<u>\$ 1,473,731</u>	<u>1,590,405</u>	<u>2,169,250</u>	<u>578,845</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant	\$ 1,308,842	1,308,842	1,842,890	534,048	-
State Grant	90,228	195,235	223,977	28,742	-
Tri-Cities Airport Authority	74,661	86,328	102,383	16,055	-
	<u>\$ 1,473,731</u>	<u>1,590,405</u>	<u>2,169,250</u>	<u>578,845</u>	<u>0</u>

(Continued)

**TRI-CITIES AIRPORT AUTHORITY  
TENNESSEE GRANT 82-555-1721-04  
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET  
Cumulative for the Grant to June 30, 2016**

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Equipment Replacement	\$ 673	149,895	182,500	32,605	-
	<u>\$ 673</u>	<u>149,895</u>	<u>182,500</u>	<u>32,605</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 606	134,906	164,250	29,344	-
Tri-Cities Airport Authority	67	14,989	18,250	3,261	-
	<u>\$ 673</u>	<u>149,895</u>	<u>182,500</u>	<u>32,605</u>	<u>0</u>

See Independent Auditors' Report.

**TRI-CITIES AIRPORT AUTHORITY  
SCHEDULE OF PASSENGER FACILITY CHARGES,  
INVESTMENT INCOME AND RELATED EXPENDITURES  
For the Fiscal Year Ended June 30, 2016**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Cash Balance, July 1, 2015					\$ 877,445
Passenger Facility Charges	259,304	211,553	195,691	212,158	878,706
Investment Income	898	705	802	860	3,265
Related Expenditures	-	-	(105,219)	(302,846)	<u>(408,065)</u>
Cash Balance, June 30, 2016					1,351,351
Receivable, June 30, 2016					<u>117,645</u>
Restricted PFC Funds					<u><u>\$ 1,468,996</u></u>

See Independent Auditors' Report.

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## Statistical

- Unaudited financial and demographic information



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## STATISTICAL SECTION

The statistical section of the Comprehensive Annual Financial Report provides detailed information to enhance the understanding of the financial condition of the Tri-Cities Airport Authority. This statistical section is from the Airport Authority's fiscal year 2016 Comprehensive Annual Financial Report.

### CONTENTS

#### ***Financial Trends***

These schedules contain trend information to help the reader understand how the Airport's financial performance and condition have changed over time.

#### ***Revenue Capacity***

These schedules contain information to help the reader understand the make-up of the Airport's revenue sources. The Airport Authority presents landed weights, square footage, public safety reimbursement and other airline related revenues along with parking rates to illustrate their primary revenue sources.

#### ***Debt Capacity***

These schedules present information on the Airport's ability to meet their current debt service. The Airport Authority did not have any long-term bond debt prior to 1995. A schedule is included for Passenger Facility Charges and Customer Facility Charges as these two restricted revenue sources are the primary source for long-term bond debt service.

#### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to show the environment within the surrounding area of the Airport.

#### ***Operating Information***

These schedules contain service and infrastructure data to assist the reader in understanding how the Airport operates. The schedules presented include operating results, employees, capital assets, and source of funding for capital assets.

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**Tri-Cities Airport Authority**  
**Net Position and Changes in Net Position**  
**Last Ten Fiscal Years (unaudited)**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
OPERATING REVENUES	\$ 6,593,732	\$ 6,583,279	\$ 6,281,012	\$ 6,080,339	\$ 6,160,383	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932
OPERATING EXPENSES	<u>6,177,281</u>	<u>5,845,353</u>	<u>5,804,594</u>	<u>5,669,838</u>	<u>5,422,576</u>	<u>5,347,016</u>	<u>5,101,080</u>	<u>5,431,972</u>	<u>5,415,059</u>	<u>5,415,312</u>
OPERATING INCOME BEFORE DEPRECIATION & AMORTIZATION	\$ 416,451	\$ 737,626	\$ 476,418	\$ 410,501	\$ 737,807	\$ 549,248	\$ 592,480	\$ 386,472	\$ 702,272	\$ 525,620
LESS: DEPRECIATION	4,827,993	4,033,759	3,643,867	3,510,733	3,319,171	3,148,163	3,053,364	2,855,601	2,889,942	2,730,172
AMORTIZATION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,500</u>	<u>13,500</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>
OPERATING LOSS	\$ (4,411,542)	\$ (3,296,133)	\$ (3,167,449)	\$ (3,100,232)	\$ (2,594,864)	\$ (2,612,415)	\$ (2,474,385)	\$ (2,482,630)	\$ (2,201,171)	\$ (2,218,053)
OTHER NON-OPERATING REVENUES (EXPENSES)	<u>1,225,176</u>	<u>1,240,893</u>	<u>967,567</u>	<u>917,552</u>	<u>1,253,169</u>	<u>936,264</u>	<u>809,692</u>	<u>781,318</u>	<u>878,429</u>	<u>557,579</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	\$ (3,186,366)	\$ (2,055,240)	\$ (2,199,882)	\$ (2,182,680)	\$ (1,341,695)	\$ (1,676,151)	\$ (1,664,693)	\$ (1,701,312)	\$ (1,322,742)	\$ (1,660,474)
CAPITAL CONTRIBUTIONS	<u>6,495,422</u>	<u>3,541,492</u>	<u>18,148,327</u>	<u>7,859,918</u>	<u>4,821,258</u>	<u>3,640,905</u>	<u>6,774,016</u>	<u>7,485,388</u>	<u>4,330,262</u>	<u>3,067,094</u>
CHANGE IN NET POSITION	<u><u>\$ 3,309,056</u></u>	<u><u>\$ 1,486,252</u></u>	<u><u>\$ 15,948,445</u></u>	<u><u>\$ 5,677,238</u></u>	<u><u>\$ 3,479,563</u></u>	<u><u>\$ 1,964,754</u></u>	<u><u>\$ 5,109,323</u></u>	<u><u>\$ 5,784,076</u></u>	<u><u>\$ 3,007,520</u></u>	<u><u>\$ 1,406,620</u></u>
NET ASSETS AT YEAR-END										
NET INVESTMENT IN CAPITAL ASSETS	\$ 84,574,383	\$ 82,726,596	\$ 81,727,565	\$ 65,756,371	\$ 61,201,867	\$ 58,312,190	\$ 56,595,863	\$ 50,301,978	\$ 45,438,936	\$ 43,473,265
RESTRICTED - PASSENGER FACILITY CHARGE and CUSTOMER FACILITY CHARGE	1,808,123	1,445,301	796,617	898,330	898,414	819,966	754,568	806,920	566,711	362,968
UNRESTRICTED	<u>5,362,910</u>	<u>4,264,463</u>	<u>5,540,500</u>	<u>5,461,536</u>	<u>4,402,773</u>	<u>3,891,335</u>	<u>3,708,306</u>	<u>4,840,516</u>	<u>4,159,691</u>	<u>3,321,585</u>
TOTAL NET POSITION	<u><u>\$ 91,745,416</u></u>	<u><u>\$ 88,436,360</u></u>	<u><u>\$ 88,064,682</u></u>	<u><u>\$ 72,116,237</u></u>	<u><u>\$ 66,503,054</u></u>	<u><u>\$ 63,023,491</u></u>	<u><u>\$ 61,058,737</u></u>	<u><u>\$ 55,949,414</u></u>	<u><u>\$ 50,165,338</u></u>	<u><u>\$ 47,157,818</u></u>

Source: Audited Financial Statements

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 2:**  
**Changes in Cash and Cash Equivalents**  
**Last Ten Fiscal Years (unaudited)**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>
<b>Cash Flows From Operating Activities</b>										
Cash received from customers	\$ 6,590,512	\$ 6,610,322	\$ 6,239,332	\$ 6,202,306	\$ 5,971,326	\$ 5,753,038	\$ 5,702,985	\$ 5,796,913	\$ 6,140,734	\$ 5,883,726
Cash payments to suppliers	(2,226,867)	(1,993,562)	(2,154,637)	(2,033,952)	(1,868,890)	(1,955,865)	(1,163,492)	(1,952,309)	(1,563,139)	(2,119,801)
Cash payments to employees	(2,483,848)	(2,343,239)	(2,366,329)	(2,322,415)	(2,425,125)	(2,254,986)	(2,411,072)	(2,345,715)	(2,260,532)	(1,998,860)
Cash paid out for employee benefits	(1,158,765)	(1,118,123)	(1,075,840)	(1,072,505)	(1,060,836)	(1,024,075)	(1,055,427)	(1,053,814)	(1,064,303)	(970,908)
Cash payments for insurance	<u>(341,623)</u>	<u>(243,285)</u>	<u>(175,654)</u>	<u>(236,705)</u>	<u>(237,684)</u>	<u>(208,614)</u>	<u>(249,790)</u>	<u>(222,280)</u>	<u>(249,566)</u>	<u>(293,462)</u>
Net Cash Provided (Used) by Operating Activities	<u>379,409</u>	<u>912,113</u>	<u>466,872</u>	<u>536,729</u>	<u>378,791</u>	<u>309,498</u>	<u>823,204</u>	<u>222,795</u>	<u>1,003,194</u>	<u>500,695</u>
<b>Cash Flows From Capital and Related Financing Activities</b>										
Acquisition and Construction of Capital Assets	(6,524,299)	(5,114,343)	(18,737,335)	(7,111,372)	(5,320,481)	(4,172,542)	(8,648,385)	(7,419,623)	(4,216,586)	(4,982,119)
Proceeds from Sale of Assets	8,329	10,971	8,697	9,745	29,485	-	-	-	-	-
Proceeds from Sale of Land to State of Tennessee	-	-	-	-	241,712	-	-	-	-	-
Capital Grants and Contributions received	5,773,984	3,176,402	19,055,924	7,337,108	4,321,741	3,859,505	6,897,168	6,967,113	3,617,479	4,402,861
PFC Funds Received	878,698	887,659	840,975	792,157	913,460	862,463	808,349	795,705	836,158	530,007
CFC Funds Received	416,225	374,882	341,898	381,681	379,825	355,410	322,865	275,044	280,364	295,764
Interest Paid	(66,067)	(86,042)	(182,939)	(263,969)	(296,105)	(325,425)	(352,352)	(376,377)	(399,533)	(422,178)
Cost of Issuing Debt	-	-	(73,202)	-	-	-	-	-	-	-
Principal paid on long-term debt	<u>(310,000)</u>	<u>(290,000)</u>	<u>(1,375,000)</u>	<u>(785,000)</u>	<u>(750,000)</u>	<u>(720,000)</u>	<u>(695,000)</u>	<u>(670,000)</u>	<u>(645,000)</u>	<u>(615,000)</u>
Net Cash Provided (Used for) Capital and Related Financing Activities	<u>176,870</u>	<u>(1,040,471)</u>	<u>(120,982)</u>	<u>360,350</u>	<u>(480,363)</u>	<u>(140,589)</u>	<u>(1,667,355)</u>	<u>(428,138)</u>	<u>(527,118)</u>	<u>(790,665)</u>
<b>Cash Flows From Investing Activities</b>										
Purchase of Investments	(9,258)	(640,877)	(17,793)	(459,224)	(12,019)	(330,337)	(35,325)	(1,720,370)	(518,499)	(7,714)
Sales of Investments	-	-	-	-	-	309,564	421,328	614,584	-	-
Interest Received	13,068	18,237	21,284	21,939	17,660	31,380	69,405	65,844	159,649	163,644
Cash Paid for Management Fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(480)</u>	<u>(480)</u>	<u>(480)</u>	<u>(548)</u>	<u>(667)</u>
Net Cash Provided By (Used for) Investing Activities	<u>3,810</u>	<u>(622,640)</u>	<u>3,491</u>	<u>(437,285)</u>	<u>5,641</u>	<u>10,127</u>	<u>454,928</u>	<u>(1,040,422)</u>	<u>(359,398)</u>	<u>155,263</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<u>560,089</u>	<u>(750,998)</u>	<u>349,381</u>	<u>459,794</u>	<u>(95,931)</u>	<u>179,036</u>	<u>(389,223)</u>	<u>(1,245,765)</u>	<u>116,678</u>	<u>(134,707)</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,901,849</u>	<u>3,652,847</u>	<u>3,303,466</u>	<u>2,843,672</u>	<u>2,939,603</u>	<u>2,760,567</u>	<u>3,149,790</u>	<u>4,395,555</u>	<u>4,278,877</u>	<u>4,413,584</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 3,461,938</u>	<u>\$ 2,901,849</u>	<u>\$ 3,652,847</u>	<u>\$ 3,303,466</u>	<u>\$ 2,843,672</u>	<u>\$ 2,939,603</u>	<u>\$ 2,760,567</u>	<u>\$ 3,149,790</u>	<u>\$ 4,395,555</u>	<u>\$ 4,278,877</u>

Source: Audited Financial Statements

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**Table 3:**  
**Restricted Assets**  
**Last Ten Fiscal Years (unaudited)**

<u>Year</u>	<u>Bond</u> <u>Escrow</u>	<u>Construction</u> <u>Escrow</u>	<u>Retainage</u> <u>Escrows</u>	<u>PFC</u> <u>Funds</u>	<u>CFC</u> <u>Funds</u>	<u>GRAND</u> <u>TOTAL</u>
2016	\$ 384,330	\$ -	\$ 191,035	\$ 1,468,996	\$ 339,127	\$ 2,383,488
2015	\$ 383,434	\$ -	\$ 328,381	\$ 1,027,499	\$ 417,802	\$ 2,157,116
2014	\$ 383,010	\$ -	\$ 725,899	\$ 796,617	\$ 311,138	\$ 2,216,664
2013	\$ 1,058,760	\$ -	\$ 402,559	\$ 898,330	\$ 267,694	\$ 2,627,343
2012	\$ 1,058,760	\$ 104,006	\$ 160,161	\$ 898,414	\$ 212,169	\$ 2,433,510
2011	\$ 1,058,760	\$ 104,006	\$ -	\$ 819,966	\$ 207,869	\$ 2,190,601
2010	\$ 1,058,760	\$ 101,594	\$ -	\$ 754,568	\$ 171,223	\$ 2,086,145
2009	\$ 1,058,760	\$ 75,345	\$ 8,080	\$ 806,920	\$ 192,970	\$ 2,142,075
2008	\$ 1,061,800	\$ 291,769	\$ 137,210	\$ 566,711	\$ 242,357	\$ 2,299,847
2007	\$ 1,061,800	\$ 277,946	\$ 134,622	\$ 362,968	\$ 258,202	\$ 2,095,538

Source: Audited Financial Statements

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 4:**  
**Principal Revenue Sources and Revenues Per Enplaned Passenger**  
**Last Ten Fiscal Years (Unaudited)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Airline Revenues:										
Landing Fees *	\$572,808	\$560,114	\$547,043	\$ 533,275	\$ 514,771	\$ 497,944	\$ 516,107	\$ 593,664	\$ 613,527	\$ 590,577
Terminal Rents	\$842,998	\$820,622	\$820,633	798,990	815,561	788,539	752,467	802,421	775,683	775,683
Security Reimbursements	\$620,879	\$603,625	\$576,525	561,193	556,313	553,268	560,580	568,086	609,186	573,096
Jetway Fees	\$10,455	\$15,750	\$8,790	11,430	27,795	19,410	8,230	5,400	7,275	9,675
Other	123,620	125,695	129,916	130,534	5,052	5,089	4,774	7,827	8,554	12,599
Total Airline Revenue	\$ 2,170,760	\$ 2,125,806	\$ 2,082,907	\$ 2,035,422	\$ 1,919,492	\$ 1,864,250	\$ 1,842,158	\$ 1,977,398	\$ 2,014,225	\$ 1,961,629
Percent of Total Operating Revenues	32.9%	32.3%	33.2%	33.5%	31.2%	31.6%	32.4%	34.0%	32.9%	33.0%
Non-Airline Revenues										
Parking	\$2,073,285	\$2,098,296	\$1,895,843	1,868,305	1,945,375	1,858,862	1,704,348	1,782,756	1,878,917	1,832,702
Percent of Total Operating Revenues	31%	32%	30%	31%	32%	32%	30%	31%	31%	31%
Rental Car	\$953,139	\$928,893	\$895,804	822,556	873,378	792,309	764,671	679,626	840,589	777,119
Other	\$1,396,548	\$1,430,284	\$1,406,458	1,354,056	1,422,138	1,380,843	1,382,383	1,378,664	1,383,600	1,369,482
Total Non-Airline Revenues	\$ 4,422,972	\$ 4,457,473	\$ 4,198,105	\$ 4,044,917	\$ 4,240,891	\$ 4,032,014	\$ 3,851,402	\$ 3,841,046	\$ 4,103,106	\$ 3,979,303
Percent of Total Operating Revenues	67.1%	67.7%	66.8%	66.5%	68.8%	68.4%	67.6%	66.0%	67.1%	67.0%
Total Operating Revenues	\$ 6,593,732	\$ 6,583,279	\$ 6,281,012	\$ 6,080,339	\$ 6,160,383	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932
Percent of Total Revenues	83.7%	83.4%	83.3%	83.7%	79.9%	82.3%	83.0%	83.3%	82.7%	85.6%
Nonoperating Revenues										
Passenger Facility Charges	\$ 846,289	\$ 908,049	\$ 883,130	\$ 771,260	\$ 884,120	\$ 879,296	\$ 790,497	\$ 843,482	\$ 832,657	\$ 538,856
Customer Facility Charges	416,225	374,882	341,898	381,681	379,825	355,410	307,017	253,729	291,228	295,337
Interest Income	13,068	18,237	21,284	21,939	17,660	31,380	69,405	65,844	159,649	163,644
Sale of Land to State of Tennessee	-	-	-	-	241,712	-	-	-	-	-
Proceeds on Sale of Assets	8,329	10,971	8,697	9,745	29,485	-	-	-	-	-
Total Nonoperating Revenues	\$ 1,283,911	\$ 1,312,139	\$ 1,255,009	\$ 1,184,625	\$ 1,552,802	\$ 1,266,086	\$ 1,166,919	\$ 1,163,055	\$ 1,283,534	\$ 997,837
Percent of Total Revenues	16.3%	16.6%	16.7%	16.3%	20.1%	17.7%	17.0%	16.7%	17.3%	14.4%
Total Revenues	\$ 7,877,643	\$ 7,895,418	\$ 7,536,021	\$ 7,264,964	\$ 7,713,185	\$ 7,162,350	\$ 6,860,479	\$ 6,981,499	\$ 7,400,865	\$ 6,938,769
Enplaned Passengers (excluding charters)	213,500	220,184	202,935	203,161	221,681	214,669	198,995	205,547	210,244	202,866
Airline Revenue Per enplaned passenger	\$ 10.17	\$ 9.65	\$ 10.26	\$ 10.02	\$ 8.66	\$ 8.68	\$ 9.26	\$ 9.62	\$ 9.58	\$ 9.67
Parking Revenue per enplaned passenger	\$ 9.71	\$ 9.53	\$ 9.34	\$ 9.20	\$ 8.78	\$ 8.66	\$ 8.56	\$ 8.67	\$ 8.94	\$ 9.03
Total Revenue Per enplaned passenger	\$ 36.90	\$ 35.86	\$ 37.14	\$ 35.76	\$ 34.79	\$ 33.36	\$ 34.48	\$ 33.97	\$ 35.20	\$ 34.20

Source: Audited Financial Statements  
Tri-Cities Airport Authority Activity Reports

**Tri-Cities Airport Authority**  
**TABLE 5:**  
**Revenue Rates**  
**Last Ten Fiscal Years (Unaudited)**

	SIGNATORY AIRLINES RATES AND CHARGES									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Landing Fees (per 1,000 lbs. MGLW)	\$ 2.32	\$ 2.25	\$ 2.25	\$ 2.17	\$ 1.94	\$ 1.94	\$ 1.94	\$ 1.94	\$ 1.85	\$ 1.85
Terminal Rental Rates (per square foot)	\$ 34.85	\$ 33.92	\$ 33.92	\$ 33.01	\$ 32.20	\$ 31.11	\$ 40.52	\$ 40.52	\$ 38.74	\$ 38.74
Terminal Aircraft Parking Apron Fee, per turn	\$ 11.07	\$ 11.93	\$ 10.77	\$ 9.02	\$ 7.47	\$ 6.00	\$ -	\$ -	\$ -	\$ -
Jetway Use Fee (per use)	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Annual Security Reimbursement *	\$ 620,878	\$ 603,623	\$ 576,525	\$ 561,193	\$ 556,316	\$ 553,268	\$ 560,580	\$ 568,086	\$ 609,186	\$ 558,127

\* Security Reimbursement is set at fifty percent of the annual Public Safety operating budget.

	Parking Rates									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Long-Term Parking - Daily **	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00
	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min *	\$1 per 30 min *	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour
Short-Term Parking - Daily	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 12.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
- Incremental	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min

\*\* - \$1.00 per hour after the first day up to the full day rate.

Source: Tri-Cities Airport Authority Lease Data

**Tri-Cities Airport Authority**  
**TABLE 6:**  
**Enplaned Passengers**  
**Last Ten Fiscal Years (unaudited)**

<b>Airline</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Allegiant Air	26,018	27,713	30,044	31,460	30,879	33,181	31,198	38,499	26,020	1,881
US Airways Express (Air Wisconsin)	-	7	3,818	9,327	13,633	443	-	-	460	288
American Connection/Eagle	-	-	-	-	11,796	19,004	-	-	-	-
Delta (Atlantic Southeast Airlines)	-	-	-	-	60,052	90,866	87,223	64,576	53,075	40,146
Delta (Chautauqua)	-	-	-	-	-	-	1,178	17,709	30,864	41,066
Delta (Comair)	-	-	-	-	-	7,027	1,232	2,233	3,908	831
Delta (Freedom)	-	-	-	-	-	67	10,969	4,010	11,586	32,297
Delta (Pinnacle)	-	-	-	-	144	8,558	3,611	-	-	-
US Airways Express (Mesa Jet)	-	-	660	160	459	366	602	671	959	1,065
Northwest Airlink	-	-	-	-	-	-	1,351	22,467	22,776	23,689
Sky West	-	-	-	-	-	-	6,162	-	-	-
US Airways Express (Piedmont)	58,111	44,305	45,317	45,251	19,151	24,896	29,336	33,877	38,198	33,810
US Airways Express (PSA Airlines)	7,792	25,364	16,732	8,137	28,476	30,261	26,133	21,505	22,398	27,793
US Airways Express (Trans States)	-	-	-	-	-	-	-	-	-	-
DELTA (XJT Express Jet)	121,579	122,795	106,364	108,826	57,091	-	-	-	-	-
Sub-Total Air Carriers	<b>213,500</b>	<b>220,184</b>	<b>202,935</b>	<b>203,161</b>	<b>221,681</b>	<b>214,669</b>	<b>198,995</b>	<b>205,547</b>	<b>210,244</b>	<b>202,866</b>
Charters	913	1,008	1,995	1,303	1,696	2,673	3,110	4,884	2,837	2,429
Total Enplaned Passengers	<b>214,413</b>	<b>221,192</b>	<b>204,930</b>	<b>204,464</b>	<b>223,377</b>	<b>217,342</b>	<b>202,105</b>	<b>210,431</b>	<b>213,081</b>	<b>205,295</b>

Source: Tri-Cities Airport Authority Traffic Reports.

**Tri-Cities Airport Authority**  
**TABLE 7a:**  
**Airline Landed Weights (000's Omitted)**  
**Last Ten Fiscal Years (unaudited)**

<u><b>Air Carriers</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>	<u><b>2010</b></u>	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>
Air Wisconsin	94	188	5,264	11,327	19,176	1,833	141	-	1,786	893
Allegiant Airlines	26,739	26,861	28,653	30,913	31,075	34,062	32,930	42,019	28,929	1,814
American Eagle/ Conn	-	-	-	-	14,713	28,308	-	-	-	-
Atlantic Southeast	-	-	-	-	68,407	113,196	115,660	93,915	71,061	44,709
Chautauqua Airlines	-	-	-	-	-	-	1,833	27,449	45,249	62,245
Comair	-	-	-	-	-	9,447	1,504	3,619	6,392	1,175
Freedom	-	-	-	-	-	170	15,233	5,489	14,595	40,593
Mesa Jet	-	74	809	662	1,103	441	956	1,544	1,360	1,387
Northwest Airlink	-	-	-	-	-	-	1,625	43,087	41,411	41,149
Piedmont	62,081	46,512	52,157	55,311	28,597	35,913	41,721	51,299	54,177	49,140
Pinnacle	-	-	-	-	141	15,275	6,909	-	-	-
PSA Airlines	12,219	29,898	21,572	12,198	38,458	46,132	39,263	38,825	42,720	50,563
Sky West	-	-	-	-	-	-	9,024	-	-	-
Delta	145,399	145,411	134,675	135,330	67,220	-	-	-	-	-
<b>Subtotal</b>	<b>246,532</b>	<b>248,944</b>	<b>243,130</b>	<b>245,741</b>	<b>268,890</b>	<b>284,777</b>	<b>266,799</b>	<b>307,245</b>	<b>307,680</b>	<b>293,668</b>
Charters	2,451	2,459	5,059	3,436	4,297	7,807	7,702	10,070	7,082	6,361
<b>Total Air Carriers</b>	<b>248,983</b>	<b>251,403</b>	<b>248,189</b>	<b>249,177</b>	<b>273,187</b>	<b>292,584</b>	<b>274,501</b>	<b>317,315</b>	<b>314,762</b>	<b>300,029</b>

Source: Tri-Cities Airport Activity Reports

See Independent Auditors' Report.

Tri-Cities Airport Authority  
Tri-Cities Regional Airport, TN/VA

**TABLE 7b:**  
**Cargo Landed Weights**  
**Last Ten Fiscal Years (unaudited)**

<u>Cargo Carriers</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
ABX (DHL)/Airborne	-	-	-	-	-	-	-	21,161	50,945	51,219
Flight Express	-	-	-	-	-	408	612	5,409	8,359	8,359
Quest Diagnostic	1,296	756	-	-	1,188	1,296	1,296	1,296	-	-
Berry Aviation	25	-	16	-	27	14	-	-	-	-
IFL	-	-	80	-	86	46	529	21	-	-
Royal Air Freight	-	40	27	-	238	29	-	-	-	-
Solstas	-	510	1,224	918	-	-	-	-	-	-
Ruslan	-	1,728	-	-	-	-	-	-	-	-
Other	25	735	245	82	1,342	646	3,357	59	1,647	1,729
	<u>1,346</u>	<u>3,769</u>	<u>1,592</u>	<u>1,000</u>	<u>2,881</u>	<u>2,439</u>	<u>5,794</u>	<u>27,945</u>	<u>60,951</u>	<u>61,307</u>
<b>TOTAL LANDED WEIGHTS</b>	<b><u>250,329</u></b>	<b><u>255,172</u></b>	<b><u>249,781</u></b>	<b><u>250,177</u></b>	<b><u>276,068</u></b>	<b><u>295,023</u></b>	<b><u>280,295</u></b>	<b><u>345,261</u></b>	<b><u>375,713</u></b>	<b><u>361,336</u></b>

Source: Tri-Cities Airport Activity Report

**Tri-Cities Airport Authority**  
**TABLE 8:**  
**Aircraft Movements Summary (Takeoff and Landing)**  
**Last Ten Fiscal Years (unaudited)**

<b>Fiscal Year</b>	<b>Air Carrier</b>	<b>Charters</b>	<b>Cargo Carriers</b>	<b>General Aviation</b>	<b>Air Taxi</b>	<b>Military</b>	<b>Total</b>
<b>2016</b>	8,280	68	488	31,979	3,132	2,327	46,274
<b>2015</b>	8,206	54	524	35,195	2,683	955	47,617
<b>2014</b>	8,998	189	494	33,683	2,630	488	46,482
<b>2013</b>	9,538	125	362	34,533	2,584	409	47,551
<b>2012</b>	10,927	136	520	39,121	1,775	509	52,988
<b>2011</b>	11,702	204	828	35,868	1,277	920	50,799
<b>2010</b>	10,928	183	1,056	37,372	1,347	687	51,573
<b>2009</b>	13,688	-	3,130	35,705	646	501	53,670
<b>2008</b>	14,384	186	4,592	41,681	299	398	61,540
<b>2007</b>	14,828	251	4,628	45,483	-	439	65,629

Source: Air Traffic Reports

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 9:**  
**Air Cargo, Freight & Mail**  
**Last Ten Fiscal Years (unaudited)**  
**(amounts expressed in pounds)**

<b>Fiscal Year</b>	<b>Air Carriers</b>	<b>Cargo Carriers</b>	<b>Sub-total</b>	<b>Mail</b>	<b>Total</b>
2016	35,774	3,496	39,270	846	40,116
2015	67,630	33,150	100,780	14	100,794
2014	52,449	21,698	74,147	649	74,796
2013	53,739	5,166	58,905	45	58,950
2012	29,557	124,384	153,941	768	154,709
2011	31,489	97,570	129,059	2,479	131,538
2010	45,384	327,030	372,414	5,114	377,528
2009	100,613	5,898,721	5,999,334	1,593	6,000,927
2008	124,357	16,263,784	16,388,141	239	16,388,380
2007	130,349	10,290,014	10,420,363	1,311	10,421,674

Source: Air Traffic Reports

**Tri-Cities Airport Authority**  
**TABLE 10:**  
**Debt Service Coverage**  
**Last Ten Fiscal Years (unaudited)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues	\$ 6,583,732	\$ 6,583,279	\$ 6,281,012	\$ 6,080,339	\$ 6,160,383	\$ 5,896,264	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932
Operating Expenses	<u>\$ 6,177,281</u>	<u>\$ 5,845,653</u>	<u>\$ 5,804,594</u>	<u>\$ 5,669,838</u>	<u>\$ 5,422,576</u>	<u>\$ 5,347,016</u>	<u>\$ 5,101,080</u>	<u>\$ 5,431,972</u>	<u>\$ 5,415,059</u>	<u>\$ 5,415,312</u>
Operating Income Before Adjustments	406,451	737,626	476,418	410,501	737,807	549,248	592,480	386,472	702,272	525,620
Other Income	1,225,176	1,312,139	1,255,009	1,184,625	1,552,802	1,266,086	1,166,919	1,163,055	1,283,534	997,837
Other Expenses Net of Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480</u>	<u>480</u>	<u>480</u>	<u>548</u>	<u>12,827</u>
Net Revenues	<u>\$ 1,631,627</u>	<u>\$ 2,049,765</u>	<u>\$ 1,731,427</u>	<u>\$ 1,595,126</u>	<u>\$ 2,290,609</u>	<u>\$ 1,814,854</u>	<u>\$ 1,758,919</u>	<u>\$ 1,549,047</u>	<u>\$ 1,985,258</u>	<u>\$ 1,510,630</u>
Debt Service on airport revenue bonds										
Principal	\$ 310,000	\$ 290,000	\$ 1,375,000	\$ 785,000	\$ 750,000	\$ 720,000	\$ 695,000	\$ 670,000	\$ 645,000	\$ 615,000
Interest (a)	<u>66,150</u>	<u>86,042</u>	<u>287,442</u>	<u>263,969</u>	<u>295,625</u>	<u>325,425</u>	<u>352,351</u>	<u>376,376</u>	<u>399,533</u>	<u>427,431</u>
Total Debt Service	<u>\$ 376,150</u>	<u>\$ 376,042</u>	<u>\$ 1,662,442</u>	<u>\$ 1,048,969</u>	<u>\$ 1,045,625</u>	<u>\$ 1,045,425</u>	<u>\$ 1,047,351</u>	<u>\$ 1,046,376</u>	<u>\$ 1,044,533</u>	<u>\$ 1,042,431</u>
Coverage ratio * (Revenues/Debt Service)	4.34	5.45	1.04	1.52	2.19	1.74	1.68	1.48	1.90	1.45
* Does not include amounts held in bond reserves	\$ 384,330	\$ 383,434	\$ 383,010	\$ 1,058,760	\$ 1,058,760	\$ 1,058,760	\$ 1,058,760	\$ 1,058,760	\$ 1,061,800	\$ 1,061,800

Source: Tri-Cities Airport Authority Activity Reports

Tri-Cities Airport Authority  
TABLE 11:  
Ratios of Outstanding Debt and Debt Service  
Last Ten Fiscal Years (unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Outstanding Debt Per Enplaned Passenger</b>										
Outstanding Debt:										
Airport Revenue Bonds	\$ 2,375,000	\$ 2,685,000	\$ 2,975,000	\$ 4,350,000	\$ 5,135,000	\$ 5,885,000	\$ 6,605,000	\$ 7,300,000	\$ 7,970,000	\$ 8,615,000
Plus: Premium	22,068	28,373	28,373	-	-	-	-	-	-	-
<b>Total Bond Payable</b>	<b>\$ 2,397,068</b>	<b>\$ 2,713,373</b>	<b>\$ 3,003,373</b>	<b>\$ 4,350,000</b>	<b>\$ 5,135,000</b>	<b>\$ 5,885,000</b>	<b>\$ 6,605,000</b>	<b>\$ 7,300,000</b>	<b>\$ 7,970,000</b>	<b>\$ 8,615,000</b>
Enplaned Passengers	214,413	221,192	204,930	204,464	223,377	217,342	202,014	210,431	213,081	205,295
<b>Outstanding Debt Per Enplaned Passenger</b>	<b>\$ 11</b>	<b>\$ 12</b>	<b>\$ 15</b>	<b>\$ 21</b>	<b>\$ 23</b>	<b>\$ 27</b>	<b>\$ 33</b>	<b>\$ 35</b>	<b>\$ 37</b>	<b>\$ 42</b>
<b>Debt Service</b>										
Principal	310,000	290,000	1,375,000	785,000	750,000	720,000	695,000	670,000	645,000	615,000
Interest	66,068	86,042	287,442	263,969	295,625	325,425	352,351	376,376	399,533	427,431
<b>Total Debt Service</b>	<b>376,068</b>	<b>376,042</b>	<b>1,662,442</b>	<b>1,048,969</b>	<b>1,045,625</b>	<b>1,045,425</b>	<b>1,047,351</b>	<b>1,046,376</b>	<b>1,044,533</b>	<b>1,042,431</b>
Operating expenses	\$ 6,177,281	\$ 5,845,353	\$ 5,804,594	\$ 5,617,441	\$ 5,422,576	\$ 5,347,016	\$ 5,101,080	\$ 5,431,972	\$ 5,415,059	\$ 5,415,312
<b>Total</b>	<b>\$ 6,553,349</b>	<b>\$ 6,221,395</b>	<b>\$ 7,467,036</b>	<b>\$ 6,666,410</b>	<b>\$ 6,468,201</b>	<b>\$ 6,392,441</b>	<b>\$ 6,148,431</b>	<b>\$ 6,478,348</b>	<b>\$ 6,459,592</b>	<b>\$ 6,457,743</b>
Ratio of debt service to Total Expenses	5.7%	6.0%	22.3%	15.7%	16.2%	16.4%	17.0%	16.2%	16.2%	16.1%
Debt Service per Enplaned Passenger	\$ 1.75	\$ 1.70	\$ 8.11	\$ 5.13	\$ 4.68	\$ 4.81	\$ 5.18	\$ 4.97	\$ 4.90	\$ 5.08

Source: Audited Financial Statements

**Tri-Cities Airport Authority**  
**TABLE 12:**  
**Passenger Facility Charges**  
**Last Ten Fiscal Years (unaudited)**

<b>Airline</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Allegiant Air	\$ 115,518	\$ 114,359	\$ 147,833	\$ 127,838	\$ 145,850	\$ 158,203	\$ 160,690	\$ 171,223	\$ 92,092	\$ -
Delta	453,855	462,483	442,349	406,398	430,135	391,037	393,130	320,918	387,486	291,228
US Airways	109,488	307,244	256,055	221,056	229,087	211,119	204,014	212,194	238,354	156,214
Northwest	-	-	-	-	-	-	4,328	62,851	88,540	54,197
American	159,249	10,727	9,207	15,968	54,724	70,835	2,280	-	-	833
United	1,423	-	-	-	24,324	20,162	18,408	-	-	-
Other	6,756	13,236	27,686	-	-	27,940	7,647	76,296	26,185	36,384
Total PFC Revenue	\$ 846,289	\$ 908,049	\$ 883,130	\$ 771,260	\$ 884,120	\$ 879,296	\$ 790,497	\$ 843,482	\$ 832,657	\$ 538,856
Interest Earned	3,260	2,503	2,550	3,625	5,407	9,690	14,211	11,536	10,142	10,077
Total PFC Related Revenue	<u>\$ 849,549</u>	<u>\$ 910,552</u>	<u>\$ 885,680</u>	<u>\$ 774,885</u>	<u>\$ 889,527</u>	<u>\$ 888,986</u>	<u>\$ 804,708</u>	<u>\$ 855,018</u>	<u>\$ 842,799</u>	<u>\$ 548,933</u>

<b>Enplaned Passengers</b>	<b>213,500</b>	<b>220,184</b>	<b>202,935</b>	<b>203,161</b>	<b>221,681</b>	<b>217,342</b>	<b>202,014</b>	<b>210,431</b>	<b>213,081</b>	<b>205,295</b>
<b>% of Passengers</b>	<b>90.3%</b>	<b>93.9%</b>	<b>99.1%</b>	<b>86.5%</b>	<b>90.8%</b>	<b>92.2%</b>	<b>89.1%</b>	<b>91.3%</b>	<b>89.0%</b>	<b>90.8%</b>

Source: PFC Quarterly Reports

**Tri-Cities Airport Authority**  
**TABLE 13:**  
**Customer Facility Charges**  
**Last Ten Fiscal Years (unaudited)**

<b>Rental Car</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Alamo	\$ 41,231	\$ 37,084	\$ 28,644	\$ 35,001	\$ 31,806	\$ 33,237	\$ 28,413	\$ 21,413	\$ 22,484	\$ 22,701
Avis	61,698	61,952	60,917	65,043	68,782	83,511	79,902	66,276	80,675	85,176
Budget	64,118	61,762	58,490	69,696	71,608	78,903	72,729	67,508	64,267	59,374
Dollar	11,609	1,711	-	-	-	-	-	-	-	-
Enterprise (1)	61,041	54,281	51,854	62,235	58,234	21,222	-	-	-	-
Hertz	72,118	61,770	52,068	57,906	67,635	73,611	76,833	61,866	79,555	87,059
National	93,707	94,126	89,925	91,800	81,760	64,926	49,140	36,666	44,247	41,027
Thrifty	10,703	2,196	-	-	-	-	-	-	-	-
Total CFC Revenue	\$ 416,225	\$ 374,882	\$ 341,898	\$ 381,681	\$ 379,825	\$ 355,410	\$ 307,017	\$ 253,729	\$ 291,228	\$ 295,337
Interest Earned	852	966	782	819	1,105	1,522	2,706	4,451	5,361	6,486
Total CFC Related Revenue	<u>\$ 417,077</u>	<u>\$ 375,848</u>	<u>\$ 342,680</u>	<u>\$ 382,500</u>	<u>\$ 380,930</u>	<u>\$ 356,932</u>	<u>\$ 309,723</u>	<u>\$ 258,180</u>	<u>\$ 296,589</u>	<u>\$ 301,823</u>

Amount per contract	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 9.00	\$ 7.00	\$ 7.00	\$ 7.00
Debt Service Payments(2)	\$ 263,248	\$ 263,229	\$ 300,399	\$ 298,290	\$ 299,086	\$ 299,159	\$ 302,201	\$ 301,326	\$ 303,797	\$ 298,652

(1) Prior to 2011 Enterprise was located off of the airport and, therefore, was not required to charge the Customer Facility Charge.  
(2) Debt Service relative to CFC is 70% of annual debt service.

Source: Audited Financial Statements

**Tri-Cities Airport Authority**  
**TABLE 14:**  
**Demographic Data - Population**  
**Last Ten Calendar Years (unaudited)**

<b>Calendar Year</b>	<b>Air Trade Area</b>	<b>Tennessee</b>
2015	592,002	6,600,299
2014	593,707	6,549,352
2013	593,480	6,495,978
2012	585,229	6,456,243
2011	586,168	6,403,353
2010	584,319	6,346,105
2009	576,196	6,306,019
2008	573,265	6,214,888
2007	569,644	6,156,719
2006	565,722	6,038,803

Source: US Census Bureau

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 15:**  
**Demographic Data - Per Capita Income**  
**Last Ten Calendar Years (unaudited)**

<b>Calendar Year</b>	<b>Air Trade Area</b>	<b>Tennessee</b>
2015	37,002	42,094
2014	35,456	40,457
2013	35,264	39,558
2012	34,820	39,002
2011	33,706	37,151
2010	31,768	35,426
2009	31,075	34,439
2008	31,377	35,080
2007	30,411	34,181
2006	28,949	33,125

Source: US Dept. of Commerce Bureau of Economic Analysis;  
Johnson City-Kingsport-Bristol TN-VA (CSA)

See Independent Auditors' Report.

**Tri-Cities Airport Authority**

**TABLE 16:  
Demographic Data - Unemployment Rate Percentage  
Last Ten Calendar Years (unaudited)**

<b>Calendar Year</b>	<b>Air Trade Area</b>	<b>Tennessee</b>
2015	5.3%	5.8%
2014	6.6%	6.7%
2013	7.6%	8.2%
2012	7.7%	8.1%
2011	7.6%	9.2%
2010	8.5%	9.8%
2009	9.3%	10.8%
2008	7.0%	6.7%
2007	4.7%	4.8%
2006	4.7%	5.2%

Source: US Bureau of Labor Statistics

See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 17:**  
**Demographic Data**  
**Top 10 Employers in Region (unaudited)**

Company	2015			2004			Industry
	Rank	Employees	Percentage	Rank	Employees	Percentage	
Mountain States Health Alliance	1	8,610	23.0%	3	3,541	13.3%	Health Care
Eastman Chemical Company	2	6,762	18.1%	1	7,400	27.8%	Chemical, Fibers & Plastics
Wellmont Health Systems	3	6,577	17.6%	2	4,200	15.8%	Health Care
K-VA-T Food Stores, Inc.	4	4,860	13.0%		-	-	Retail/ Supermarkets
East Tennessee State University	5	2,370	6.3%	5	2,012	7.6%	Higher Education
James H. Quillen VA Medical Center	6	2,200	5.9%	8	1,259	4.7%	Health Care
Citigroup	7	1,800	4.8%	6	1,817	6.8%	Customer Service Call Center
Sullivan County Dept. of Education	8	1,755	4.7%		-	-	Public Education
Advanced Call Center Technologies	9	1,300	3.5%		-	-	Call Center
Washington County Schools	10	1,200	3.2%		-	-	Public Education
Bristol Compressors		-	-	4	2,500	9.4%	Manufacturing Compressors
King Pharmaceuticals		-	-	7	1,534	5.8%	Pharmaceutical Sales
American Water Heater Group		-	-	9	1,200	4.5%	Water Heaters
AFG Industries		-	-	10	1,160	4.4%	Glass

Source: The 2015 Business Journal 'The Book of Lists'

**Tri-Cities Airport Authority**  
**TABLE 18:**  
**Employees by Department \***  
**Last Ten Fiscal Years (unaudited)**

**Fiscal Years Ending June 30**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Maintenance	9	9	9	9	9	9	9	9	8	9
Access Control	0	0	0	0	0	1	1	1	1	1
Public Safety	15	15	15	15	15	14	13	15	16	16
Janitorial	5	5	6	6	6	6	6	9	10	9
Airport Services	1	1	1	1	1	1	2	2	3	3
Marketing	2	2	2	2	2	3	3	3	3	3
Air Cargo & Trade Development	1	1	1	1	1	1	1	1	1	2
Ground Handling	0	0	0	1	1	1	1	1	1	0
Administration	9	9	9	8	9	9	9	10	10	9
<b>Total Full-Time Employees</b>	<b>42</b>	<b>42</b>	<b>43</b>	<b>43</b>	<b>44</b>	<b>45</b>	<b>45</b>	<b>51</b>	<b>53</b>	<b>52</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	
Part-Time & Interim Employees										
Airline Services	13	12	8	9	8	7	10	11	11	
Access Control	7	7	7	7	6	6	6	6	6	
Airport Services	1	1	1	1	1	2	1	1	1	
Maintenance	0	0	0	0	0	0	0	0	2	
Public Safety	0	0	0	0	2	2	2	0	0	
Janitorial	5	3	4	4	3	3	1	0	0	
Admin	0	1	1	2	1	1	1	0	0	
<b>Total Part-Time Employees</b>	<b>26</b>	<b>24</b>	<b>21</b>	<b>23</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>18</b>	<b>20</b>	

\* - Based on current active employees as of June 30, 2016.

Source: Tri-Cities Airport Authority Payroll Records

**Tri-Cities Airport Authority**  
**TABLE 19:**  
**Insurance in Force (unaudited)**  
**June 30, 2016**

<b>Type of Policy</b>	<b>Policy Insurer</b>	<b>Expiration Date</b>	<b>Policy Limit</b>	<b>Risk Coverage</b>
Airport Liability	ACE	3/31/2017	\$50,000,000	General Liability
Excess Liability	ACE	3/31/2017	\$25,000,000	Over \$1M for Auto & \$1M Employment Liability
Environmental Liability	Colony Specialty	1/1/2017	\$2,000,000	Environmental Contamination from above ground tanks
Data Breach and Privacy Security	Hiscox Insurance	4/1/2017	\$500,000	Data Breach, Media, Cyber
Automobile	Cincinnati Ins. Co.	3/31/2017	\$1,000,000	Bodily Injury and Property Damage, Comp/Collision, Non-owned vehicles
Property	Cincinnati Ins. Co.	3/31/2017	\$36,110,716	Buildings , contents, flood, earthquake
Personal Property	Cincinnati Ins. Co.	3/31/2017	\$2,009,561	
Business Income	Cincinnati Ins. Co.	3/31/2017	\$1,000,000	Loss of Business
Employee Liability	Cincinnati Ins. Co.	3/31/2017	\$1,000,000	Employee Benefits Liability
Equipment	Cincinnati Ins. Co.	3/31/2017	\$2,674,814	
Public Officials	Darwin Select	3/31/2017	\$5,000,000	Airport Commissioners
	Darwin Select	3/31/2017	\$5,000,000	Employment Practices
Crime/Fidelity	Cincinnati Ins. Co.	3/31/2017	\$250,000	Faithful Performance Computer Fraud
Worker's Comp	AIG Property Casualty	3/31/2017	By Law	Employer's liability
	Chartis Aerospace Ins	3/31/2017		Employee bodily injury
Health/Medical	United Healthcare	11/30/2016		Medical/Rx/Vision
Dental	Delta Dental of TN	12/31/2016		Dental
Life	MetLife	12/31/2016		Life/AD&D
Voluntary Products	Met Life USABLE AFLAC	12/31/2016		S/T, L/T disability, additional life, dependent coverage, cancer & accident

See Independent Auditors' Report.

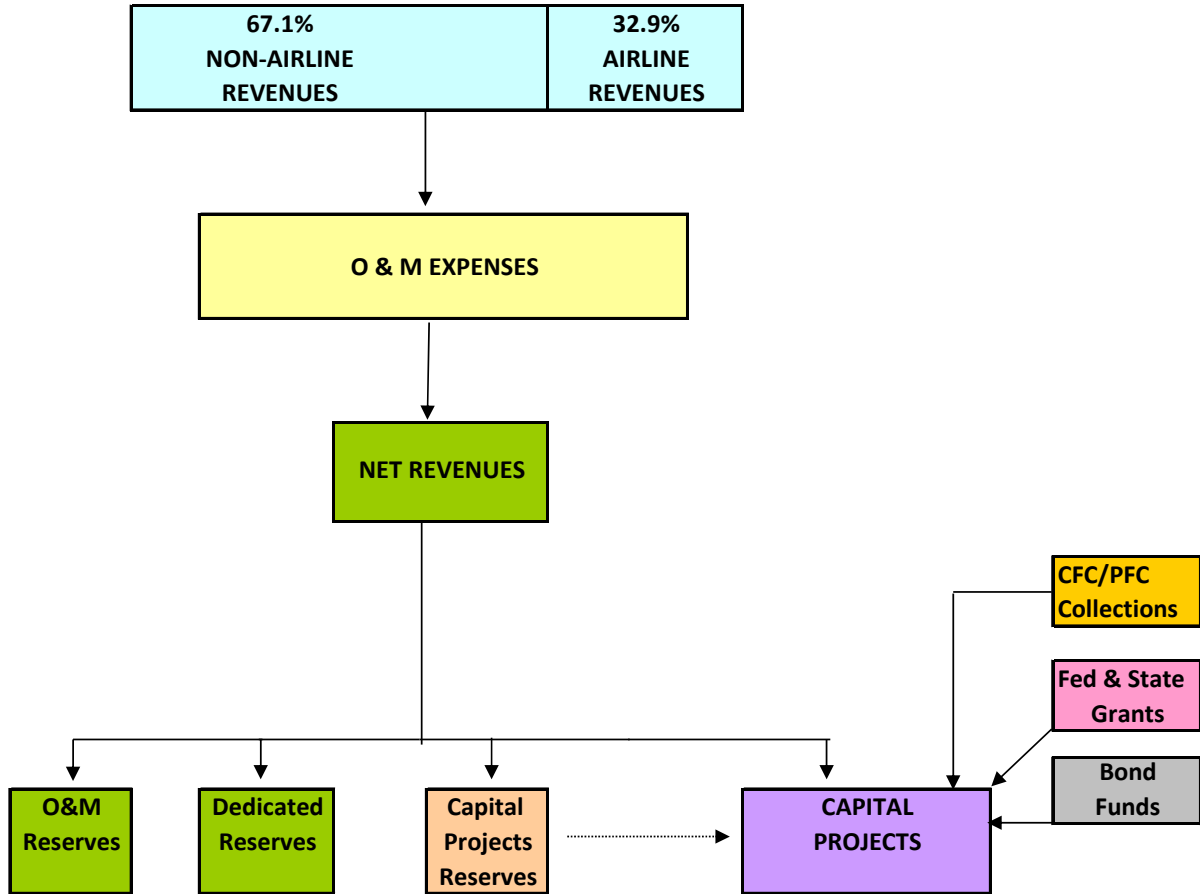
**Tri-Cities Airport Authority**  
**TABLE 20:**  
**Capital Asset Allocation and Funding**  
**Last Ten Fiscal Years**

<b>SOURCE OF FUNDS</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2007</b>
Federal Funds	\$ 3,378,077	\$ 1,415,152	\$ 17,022,388	\$ 6,831,868	\$ 1,730,504	\$ 2,580,825	\$ 5,170,594	\$ 5,096,784	\$ 3,305,742	\$ 2,154,764
State Funds	3,117,345	2,126,340	1,101,654	1,028,050	3,090,754	1,060,080	1,603,422	2,388,604	1,024,520	912,330
Airport Funds	1,017,980	749,403	824,771	10,083	495,437	585,931	1,378,032	731,117	115,783	283,444
<b>TOTAL SOURCE OF FUNDS</b>	<b>\$ 7,513,402</b>	<b>\$ 4,290,895</b>	<b>\$ 18,948,813</b>	<b>\$ 7,870,001</b>	<b>\$ 5,316,695</b>	<b>\$ 4,226,836</b>	<b>\$ 8,152,048</b>	<b>\$ 8,216,505</b>	<b>\$ 4,446,045</b>	<b>\$ 3,350,538</b>
<b>USE OF FUNDS</b>										
Land	\$ -	\$ -	\$ -	\$ 356,355	\$ 1,393,176	\$ 471,083	\$ 1,007,132	\$ 700,492	\$ 719,530	\$ 1,523,645
Construction-In-Progress	(12,518,123)	(7,395,486)	15,241,711	6,006,734	(3,722,980)	(68,823)	460,791	6,573,883	2,104,451	(4,528,067)
Runways, Roads, etc.	15,630,342	10,461,967	1,188,840	1,004,302	5,310,193	2,900,891	6,342,221	494,802	87,479	4,506,185
Parking Lot	-	-	-	-	3,500	-	-	34,359	1,245,403	56,150
Terminal Building	1,478,087	3,456	1,725,255	27,746	1,808,904	-	11,359	123,285	63,017	846,523
Other Buildings	2,659,766	1,055,693	-	-	109,504	22,703	124,262	-	53,630	586,946
Equipment and Vehicles	263,330	165,265	128,486	432,052	414,398	900,982	91,046	235,252	172,535	359,156
Master Plans	-	-	664,521	42,812	-	-	115,237	54,432	-	-
<b>TOTAL USE OF FUNDS</b>	<b>\$ 7,513,402</b>	<b>\$ 4,290,895</b>	<b>\$ 18,948,813</b>	<b>\$ 7,870,001</b>	<b>\$ 5,316,695</b>	<b>\$ 4,226,836</b>	<b>\$ 8,152,048</b>	<b>\$ 8,216,505</b>	<b>\$ 4,446,045</b>	<b>\$ 3,350,538</b>

Source: Audited Financial Statements

See Independent Auditors' Report.

Tri-Cities Airport Authority  
TABLE 21:  
Flow of Funds



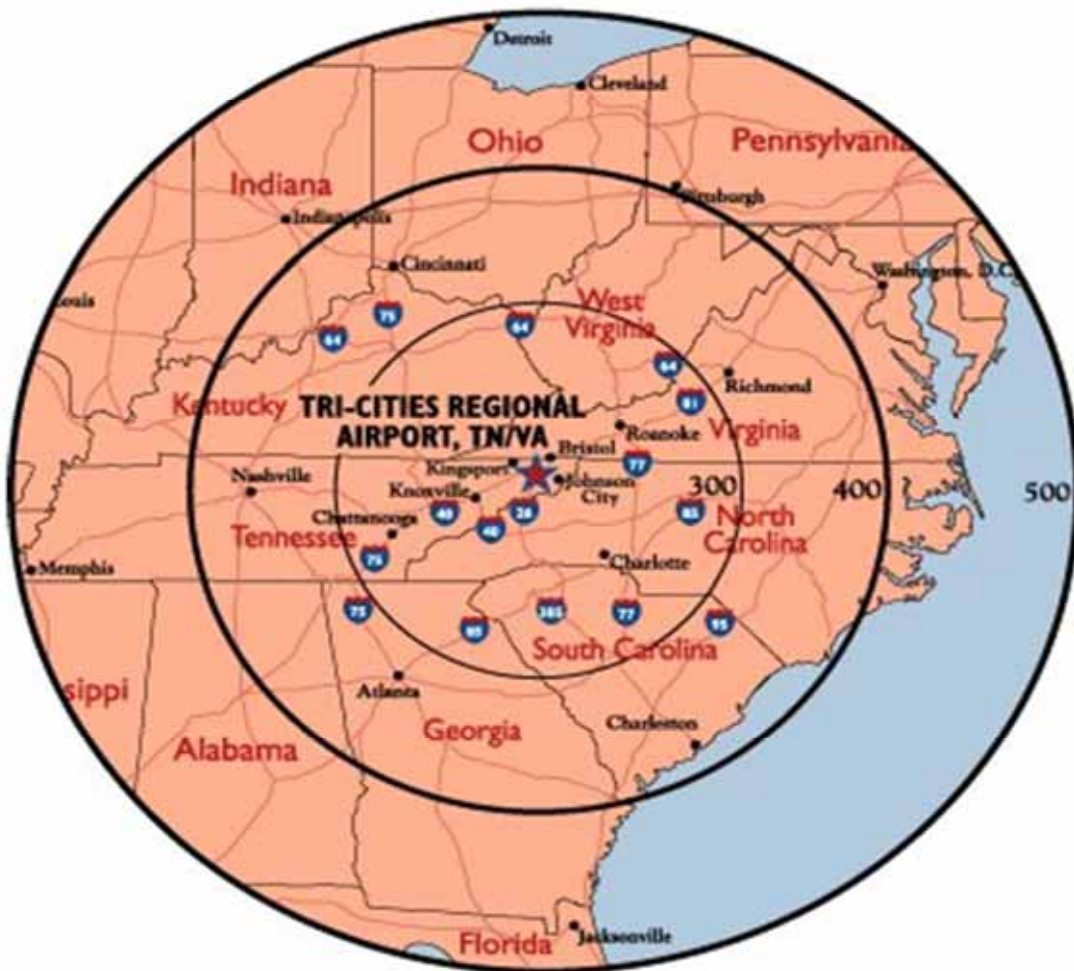
See Independent Auditors' Report.

**Tri-Cities Airport Authority**

**TABLE 22:**

**Location of Airport**

Tri-Cities Regional Airport is centrally located between the cities of Bristol, Tennessee, Bristol, Virginia, Kingsport, Tennessee, and Johnson City, Tennessee. The Airport serves Northeast Tennessee, Southwest Virginia, North Carolina and Kentucky.



See Independent Auditors' Report.

**Tri-Cities Airport Authority**  
**TABLE 23:**  
**Capital Asset Information**  
**as of June 30, 2016**

Land & Facilities	1,250 acres of land and 89 acres in easements	
Elevation:	1,519 feet above mean sea level	
Airport Code:	TRI = FAA or IATA code (ICAO code = KTRI)	
Runways:	ILS Instrument Runway 5/23 - 8,000 feet x 150 feet (Category II) Secondary Runway 9/27 - 4,442 feet x 150 feet	
Terminal:	Airlines - Exclusive/Joint Use	13,193 sf
	Airlines - Common Use	15,278 sf
	Concessions	13,787 sf
	Public/Common	34,681 sf
	Administration	10,316 sf
	Mechanical	15,366 sf
	Other Leaseable	10,911 sf
	Total	<u>113,532 sf</u>
	Number of Passenger Gates	7
	Number of Loading Bridges	1
Apron:	Number of Concessionaires	3
	Number of Rental Car Agencies	3
	Commercial Airlines	100,200 sq yds
	Cargo Airlines	174,000 sq ft
	FBO	57,800 sq yds
Parking Spaces:	Long-Term	727
	Short-Term	247
	Surface Overflow	210
	Metered	0
	Employee	103
	Ground Transportation	157
	Total Parking Spaces	<u>1,444</u>
Cargo:	Air Cargo Logistics Center	13,000 sq ft
International:	U.S. Customs Station No. 2027	
	Foreign Trade Zone No. 204	
Tower:	TRACON	Open: 6:00 am - 11:59 pm 365 days per year
FBO:	Tri-City Aviation, Inc.	85,000 sq ft Hangar
		12,000 sf ft Climate Controlled Hangar
		21 Tie-Downs & 21 Plane Ports
		10,000 sq ft FBO Terminal
Corporate:	5 Hangars	
Fuel Facilities:	15,000 gallon AVGAS 100 LL	
	40,000 gallon Jet A	

See Independent Auditors' Report.

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## Internal Control and Compliance

- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- Independent Auditors' Report on Compliance - Uniform Guidance
- Schedules of Findings and Questioned Costs
- Independent Auditors' Report on Compliance - PFC
- Schedule of Findings and Questioned Costs - PFC



TRI-CITIES REGIONAL AIRPORT  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Commissioners  
of the Tri-Cities Airport Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Tri-Cities Airport Authority (the Authority) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 5, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

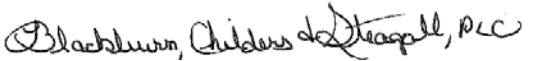
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 5, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Commissioners  
of the Tri-Cities Airport Authority

**Report on Compliance for Each Major Federal Program**

We have audited the Tri-Cities Airport Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2016.

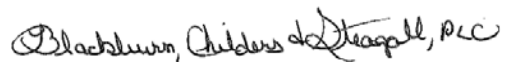
### **Report on Internal Control over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 5, 2016

**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF PRIOR FISCAL YEAR FINDINGS AND QUESTIONED COSTS**  
**June 30, 2016**

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
<b>FINANCIAL STATEMENT AUDIT</b>		
2015-001	Duplicate Reimbursement	Corrected
<b>MAJOR FEDERAL PROGRAMS AUDIT</b>		
2015-001	Duplicate Reimbursement	Corrected

**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2016**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Tri-Cities Airport Authority.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Tri-Cities Airport Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Schedule of Findings and Questioned Costs.
5. The independent auditors' report on compliance for the major federal award programs for the Tri-Cities Airport Authority expresses an unmodified opinion. All funds paid and property or services transferred were paid in a manner consistent with 49 U.S.C. paragraph 47107(b) and FAA's Policy and Procedures regarding the use of airport revenue.
6. No audit findings relative to the major federal award programs for Tri-Cities Airport Authority, which are required to be reported in accordance with 2 CFR section 200.516(a), are reported in this Schedule.
7. The program tested as a major program was the Airport Improvement Program CFDA #20.106.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Tri-Cities Airport Authority was not determined to be a low-risk auditee.

**SECTION II - FINANCIAL STATEMENT AUDIT**

**Current Year Findings**

None Reported.

**SECTION III - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Current Year Findings**

None Reported.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Honorable Commissioners  
of the Tri-Cities Airport Authority

**Report on Compliance for Passenger Facility Charge**

We have audited the compliance of the Tri-Cities Airport Authority (the Authority), with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide) for its passenger facility charge program for the fiscal year ended June 30, 2016.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility charge program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for passenger facility charges based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

***Opinion on Passenger Facility Charge***

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the fiscal year ended June 30, 2016.

To the Honorable Commissioners  
of the Tri-Cities Airport Authority  
Independent Auditors' Report on  
Passenger Facility Charge Program


## Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the Guide on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a compliance requirement of the Guide will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of the Guide that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 5, 2016

**TRI-CITIES AIRPORT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PASSENGER FACILITY CHARGE PROGRAM**  
**June 30, 2016**

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**I. Summary of Auditors' Results**

- i. An unmodified report was issued on the financial statements of the Tri-Cities Airport Authority.
- ii. No instances of noncompliance were disclosed by the audit on the Authority's financial statements.
- iii. An unmodified opinion was issued on compliance for the passenger facility charge program.

**II. Financial Statement Findings**

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

**III. Passenger Facility Charge Program Findings**

There were no findings related to the passenger facility charge program.